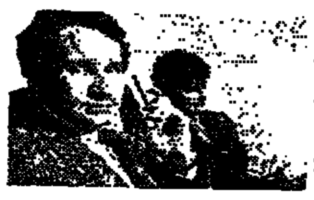

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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY AUGUST 12 1993 — D8523A

UK and Sweden to airlift out Bosnia war casualties

Britain and Sweden yesterday announced the planned airlift of 41 Bosnian war victims from Sarajevo within the next 48 hours, and appealed to other governments to help.

British prime minister John Major, speaking in Stockholm after a meeting with his Swedish counterpart, Carl Bildt, said initially 41 war victims, half of them children, would be taken out of Sarajevo.

In Bosnia the president, Alija Izetbegovic, gave his Serb adversaries two days to withdraw from key high ground overlooking Sarajevo before he abandoned peace talks. **Page 12; Nato planners draw up Bosnia air-strike targets, Page 2**

Threat to trade privileges: Indonesian economic and trade ministers met to discuss threats to trading privileges with the US following criticism of Jakarta's treatment of workers. **Page 5**

Yeltsin's sell-off warning: President Boris Yeltsin sought to override the Russian parliament's efforts to block mass privatisation, issuing a decree under which Moscow could punish officials for failing to implement the legislation. Anatoly Chubais, deputy prime minister responsible for privatisation, said funds would be cut off to regions that failed to fulfil the programme. **Page 12**

Clinton launches war on crime: President Bill Clinton launched a broad set of proposals *to combat crime, with measures to control gun* sales, hire more police officers and limit appeals against the death penalty. **Page 3**

Mixed results: Contrasting fortunes in the US stores sector continued to surface when Woolworth, the large general merchandise and specialty store chain retailer, reported second quarter earnings of $2m, down from $33m, while Federated Department Stores saw results for the same quarter *swing from a loss to profit.* **Page 15**

Buthelezi in peace plea to ANC

Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party in South Africa, called on his supporters in the East Rand townships, where more than 400 people have died in political conflict over the past five weeks, to make peace with rivals in the African National Congress.

*Chief Buthelezi was addressing about 3,000 support*ers at a rally in Thokoza, the township at the heart of much of the recent violence. **Page 4**

Go-ahead for gas project: The Venezuelan Congress has given final approval to a $5.6bn natural gas project that involves the first foreign equity investment in Venezuela's oil and gas sectors since the country's oil industry was nationalised in 1976. This decision is expected to open *the door to other big international investments* in Venezuela's petroleum sector. **Page 5**

Canadian Pacific sold its 61 per cent stake in Canadian Pacific Forest Products for C$698m (US$545.3m) – a move which leaves the big forestry company without a controlling shareholder. **Page 13**

SKF, world's leading roller bearing manufacturer, said losses more than doubled in the first six months at SKr469m ($58.66m), but noted that its performance had started to improve following rationalisation. **Page 13, Lex, Page 10**

Fears over UK recovery: *Hopes of a strong* manufacturing recovery have slipped back in several UK regions, according to a survey by the Confederation of British Industry which underlines fears that the economic upturn may be slowing. **Page 6**

MCI, *US* long-distance telephone company, has lost its president, Daniel Akerson, to a company outside the telecommunications industry. **Page 15**

Headhunters hit: The recession in Europe has taken a heavy toll on headhunters, cutting their revenue and encouraging them to merge or branch out into new businesses, says a report from the Economist Intelligence Unit. **Page 12**

Drop in car sales: New car sales in western Europe dropped by an estimated 20.1 per cent last month, intensifying the already steep decline experienced in the first half of this year. **Page 2**

Cable and Wireless: The UK telecommunications company said a Bulgarian company in which it holds a 49 percent stake has won a licence to provide a national paging service.

Strong yen helps lift Japan trade surplus by 28%

By Robert Thomson in Tokyo

JAPAN'S trade surplus in July was $11.82bn, 28 per cent higher than in the same month of 1992, reflecting the yen's rapid appreciation and the weak demand for *imports from a still ailing domes*tic economy.

The surplus has risen year-on-year for 31 consecutive months, but the yen's strength is slowing export volume which is up only 2.1 per cent. The surplus also appears to be near its peak, which would be welcomed by Japan's new coalition government.

Japanese industry leaders expressed regret at the sharp appreciation yesterday of the yen, which closed in Tokyo at a *record of Y103.77 to the dollar,* compared with Y104.47 on Tuesday, and said the figure did not reflect the real health of the economy.

Mr Gaishi Hiraiwa, chairman of the Keidanren, the federation of economic organisations, said the yen had "deviated from reality" and that the continuing appreciation had put great pressure on Japanese companies, which already face a fourth year of falling profits.

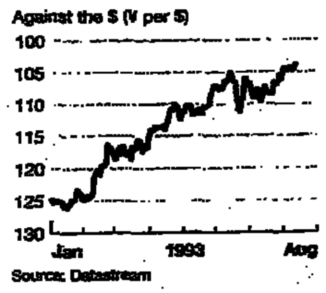
Exports during July rose 9 per *cent to $32.18bn, while imports* grew by a slim 0.4 per cent to $20.37bn, although both figures reflected exchange rate movements.

The finance ministry said the average yen value for exports in July was Y108.21 to the dollar, compared with Y125.57 a year earlier.

The surplus with the US rose 22.7 per cent to $4.68bn, the 16th consecutive month of expansion, but Japan's surplus with the European Community fell 19.5 per cent to $2.01bn. Seasonally adjusted, the surplus rose from $8.64bn in June to $11.17bn last month.

Trade with China continues to expand at a remarkable rate and after almost five years of deficit Japan now has a bilateral surplus. Exports to China rose 68.7 per cent to $1.77bn, while imports were 17.1 per cent higher at $1.6bn. Last September, Japan had a *deficit for the month of* $634m.

Indicating the demand from an overheated Chinese economy, car exports rose five times, steel exports 167 per cent, and electric machinery 62 per cent. But the figures hardly reflect the true growth of Japanese exports, as they do not include goods shipped through Hong Kong.



Support planned for economic and monetary union timetable

EC moves to repair damage of ERM crisis

By Quentin Peel in Bonn, John Ridding in Paris and Haig Simonian in Milan

LEADING European Community governments, including France, Germany and Italy, are to prepare proposals to limit the damage caused by the recent currency crisis and restore the credibility of the process leading to economic and monetary union.

A special meeting of EC central bank governors is expected to be called in the coming weeks, followed by the EC monetary committee, to prepare plans to be presented to the expected extraordinary Community summit to be held in Brussels at the end of October.

In Paris yesterday it was announced that Mr Edouard Balladur, the French prime minister, will meet Chancellor Helmut Kohl in Bonn on August 26, for their first meeting since last week's crisis in the European exchange rate mechanism strained relations between the two countries.

Meanwhile Mr Carlo Ciampi, the Italian prime minister, has written to Mr Kohl, Mr Jacques Delors, the president of the European Commission, and Mr Edmond Alphandéry, the French economy minister, *calling* for an initiative to reinforce European currency co-operation, and to *keep the process towards a single* currency on track.

"Things are starting to move," one senior European official said yesterday. "You can hear the boiler-room starting to cook."

Fears have been voiced, however, that some EC member states may seek to reimpose partial controls on capital movements as the only effective way of preventing the sort of massive currency speculation which precipitated the ERM crisis. Any such move would be fiercely resisted by Britain, Germany and the Netherlands, the member states most committed to freedom of capital movement.

"It would mean destroying the present currency market, and that is why I think it is inconceivable," the official said. "Yet I can imagine that it will be proposed. There would be accusations that we are building not only a trade fortress Europe, but a monetary fortress too."

Mr Kohl's determination to maintain the momentum towards Emu has been repeatedly stressed by Bonn officials in recent days, in spite of his public speculation about the possibility of delays in the timetable.

Yesterday Mr Theo Waigel, the German finance minister, confirmed that strict maintenance of the criteria for economic convergence of the EC member states – including limits on their budget deficits and inflation rates – was *more important for Germany* than the precise timetable. That could mean an extended period of preparation for eventual monetary union, he agreed.

However, neither he nor Mr Kohl has yet publicly questioned the ultimate objective of achieving a single currency by 1999, involving those member states which have met the economic convergence conditions.

Mr Alain Juppé, the French foreign minister, *said* yesterday the EC should stick to the timetable for monetary union in the Maas*tricht treaty, which envisages* establishment of a single European currency by 1997, or 1999 at the latest.

The objective was 1999 "and we must keep to it", said Mr Juppé in a radio interview.

Overnight rate cut in France, **Page 2**

Associated Press

German finance minister Theo Waigel: Emu timetable less important

FT-SE 100 breaks 3,000 for first time

By Terry Byland and James Blitz in London

THE FT-SE 100 index, the London stock market's favourite *method of measuring its* daily performance, broke through the 3,000 level for the first time yesterday amid increasing speculation that UK base rates would be cut, boosting the performance of Britain's industrial and commercial companies.

The index, which tracks the share prices of the top 100 British companies by market capitalisation, rose 34.5 points yesterday to close at 3,006.1.

The strong performance, which shrugged aside concerns in British industry about the weakness of the recovery, was accompanied by a rise in UK bond prices and a record high for equities in the French stock market.

All of these markets have rallied powerfully in the wake of the recent widening of the fluctuation bands in the European exchange rate mechanism, as *investors take the view that* interest rates will be cut in most European countries, including Britain, *as governments try to* boost their economies.

Although most European countries have left rates unchanged since the ERM reform, France yesterday triggered renewed enthusiasm in British and French equity markets by cutting the cost of overnight lending to commercial banks by ½ a percentage point to 9.25 per cent.

The move was interpreted by some financial market analysts as modest, because France has not reduced its official interest rates since the ERM reform.

But the franc appreciated against the D-Mark in the wake of yesterday's easing in monetary policy, suggesting that the French central bank may have room to cut interest rates again in the near future.

In London, the French move was seen as another indication the UK authorities could cut rates this year without adversely affecting the value of sterling. This week, the Bank of England raised hopes that rates could be cut by saying the outlook for a rise in inflation was very low.

Yesterday's advance in the *London stock market followed a* series of rallies which have already pushed equity prices up *by about 2.5 per cent this month.* Overall, the index has risen by some 26 per cent since sterling *left the ERM on September 16.*

The latest surge in the FT-SE 100 has mainly been led by financial, property and consumer stocks, all of which could benefit if base rates are cut from their current level of 6 per cent.

The property and stores sectors have also moved up sharply, and there has been a significant recovery in construction, engi-

Continued on Page 12

Westinghouse starts debt reduction with $1.1bn sale

By Nikki Tait in New York and *Christopher Parkes in Frankfurt*

WESTINGHOUSE Electric, the troubled US conglomerate, has agreed to sell its electrical distribution and control equipment business to engineering group Eaton Corporation for $1.1bn, plus the assumption by Eaton of undisclosed liabilities.

The sale is conditional on both government approvals and the waiver by Germany's Siemens of a *"right of first refusal". Siemens,* which was granted the right in 1988 under a circuit breaker supply contract from Westinghouse, would say only that it had been informed about the sale plan and was "looking to see how things develop".

However, Westinghouse added that it had been in close contact *with the German company and it* believed Siemens was now in a position to make a "prompt" decision. If the Siemens' waiver is not received within 30 days, Cleveland-based Eaton is entitled to terminate the purchase agreement.

Assuming the sale goes through, it will be the first ele*ment in a four-part asset sale* package announced by the Pittsburgh-based conglomerate last November. At that stage, Westinghouse – dogged by bad property loans and facing a financial crisis – said that in addition to existing financial services, it would sell four non-strategic operations. These were the distribution and control business, Westinghouse Electric Supply, the Knoll International office fur*niture unit, and the Westing*house Communities property development subsidiary.

Mr Michael Jordan, who took over the chairmanship of Westinghouse in July, yesterday said that the sale proceeds would go towards paying down debt resulting from the financial services' unit's losses. In November *1992, Westinghouse pledged to* cut debt by more than $5bn within two years.

The distribution and control business makes low-voltage circuit protection equipment and employs around 12,500 people at some 36 plants, mainly in North America, South America and the UK. The operations being sold *will include the Challenger Elec*trical Equipment business, which Westinghouse acquired in 1987, *but not the Email Westinghouse* joint venture in Australia.

Westinghouse declined to disclose sales for the distribution and control business, but Eaton said that its total sales should increase by around 25 per cent as a result of the purchase.

Last year Eaton – best-known for the manufacture of truck *transmissions and axles, engine* components and electrical equipment and controls – had a turnover of $3.87bn. Eaton added that the Westinghouse operations would be combined with its industrial control and power distribution business, which produces mainly under the "Cutler-Hammer" brand name, and cre*ate a division with sales of about* $1.6bn.

Eaton plans to fund the purchase initially via additional bank borrowings. However, Mr William Butler, chairman, said his company planned to subsequently raise funds through the sale of new equity to investors.

■ STOCK MARKET INDICES

FT-SE 100:	3006.1	(+34.5)
Yield	3.81	
FT-SE Eurotrack 100	*1274.70*	*(+12.90)*
FT-A All-Share	1491.80	(+1.0%)
Nikkei	20,732.57	(+238.82)
New York lunchtime		
Dow Jones Ind Ave	3573.29	(+0.56)
S&P Composite	450.11	(+0.66)

■ US LUNCHTIME RATES

Federal Funds:	2⅞%
3-mo Treas Bills: Yld	3.086%
Long Bond	108$\frac{1}{32}$
Yield	6.451%

■ LONDON MONEY

3-mo Interbank	5⅞%	(5$\frac{15}{32}$%)
Liffe long gilt future:	Sep 112$\frac{23}{32}$	(Sep112$\frac{1}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$16.7	(16.47)

■ Gold

New York Comex (Aug)	$375.3	(380.9)
London	$375.25	(379.2)

■ STERLING

New York lunchtime:		
$	1.47015	
London:		
$	1.473	(1.4795)
DM	2.53	(2.5275)
FFr	8.8825	(8.9)
SFr	2.25	(2.245)
Y	152.75	(154.75)
£ Index	80.8	(81.0)

■ DOLLAR

New York lunchtime:		
DM	1.7227	
FFr	6.0235	
SFr	1.5275	
Y	103.6	
London:		
DM	1.718	(1.708)
FFr	6.03	(6.015)
SFr	1.527	(1.518)
Y	103.7	(104.6)
$ Index	65.9	(same)

Tokyo close Y 103.77

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils 600	Poland	Zl 22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000		
						UAE	Dh11.00		

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Waigel presses on with social spending curbs

Bonn cabinet backs cuts

By Quentin Peel in Bonn

IN THE FACE of a continuing storm of criticism from both left and right, Mr Theo Waigel, the German finance minister, yesterday pushed the draft laws for tough cuts in social spending through the German cabinet.

The DM21bn (£8.3bn) package of cuts in next year's spending, rising to DM27bn in 1995 and nearly DM29bn by 1996, still faces a rough ride through the Bundestag, the lower house of parliament.

Not only the opposition Social Democrats, but also the Free Democrats in the ruling coalition, want amendments.

Mr Waigel insisted that the cuts would not undermine any recovery from the economic recession, pointing out that federal government spending would still be DM20bn higher in 1994 than in the current year and the budget deficit constant at DM67.5bn.

He was slightly more cautious than Mr Günter Rexrodt, the economics minister, in forecasting an economic growth rate of just 1.0 per cent in 1994 (compared with Mr Rexrodt's 1.5 per cent). But he was less pessimistic on unemployment, suggesting a rise from 3.5m to 3.7m, instead of the 4m total seen by the economics minister for the end of the year.

The main element in the Waigel package is a cut of three percentage points in a range of social benefits, including unemployment benefit and social security payments. There are to be curbs on child allowances, abolition of special "bad weather" payments to construction workers, and a clampdown on social security fraud.

Coming when unemployment is rising sharply – up from 7.0 to 7.5 per cent last month in west Germany – the package has aroused opposition fury. Mr Oskar Lafontaine, deputy leader of the SPD, called it a "violation of economic reason and social justice". Ms Monika Wulf-Mathies, leader of the public sector workers' union, called it a social explosive, which parliament must defuse. The German trade union movement has announced protests for the autumn.

At the same time, the FDP has served notice that it wants to delay abolition of the bad weather subsidy for the construction industry, saying it could undermine the national house-building programme. The industry maintains the government will end up paying as much in unemployment benefits to building workers laid off in bad weather as it currently pays in the job subsidy.

The SPD enjoys an effective majority in the Bundesrat, the upper house of parliament, but only a small part of the total package can be blocked. More than 90 per cent of the package does not require Bundesrat approval, and can therefore be confirmed by a majority in the lower house.

Allies set for air strikes against Serbs in Bosnia

By Gillian Tett

ALL THE military arrangements for allied air strikes against the Serbs in Bosnia, including air control, were now in place and being tested, the United Nations said yesterday.

But as Nato military planners met in Belgium to finalise a list of possible targets, the allies were still divided about just what action by the Serbs would trigger air strikes – or what action would be needed to avert them.

Under the terms of the military agreement approved by the Nato council on Monday air strikes can only begin if they have been specifically requested by Nato or the United Nations and been approved by both Admiral Jeremy Boorda, Nato's commander of Allied Forces Southern Europe, and General Jean Cot, the commander of UN troops in Bosnia.

In addition, the Serbs must be given a clear warning – a state of affairs that will, in effect, rule out any "surprise" attacks.

Nato planners have outlined a series of several different military options for action. The type of operations that are understood to be under consideration include:

- the bombing of artillery positions around Sarajevo and other areas;
- attacks on supply routes from Serbia to the Bosnian Serbs
- attacks on Serb command and control positions and possibly attacks on the Serbian stronghold of Pale near Sarajevo.

Earlier American calls for broader action against targets outside Bosnia have been knocked off the agenda by fierce opposition from the allies.

Nato aircraft in the Adriatic yesterday stepped up their training exercises across Bosnia, collecting photographic material for air strike planning.

However, military experts say that initially the most likely course of action would be strikes around Sarajevo.

Dr Jonathan Eyal, of the Royal United Services Institute, said: "If the Canadians and others have signed up, it is unlikely that they have agreed to anything more than bombing around Sarajevo, given that their troops are out in Srebrenica."

The Nato political council is now meeting almost daily to review the situation in Bosnia – the first step, officials say, in assessing whether air strikes would be necessary.

US calls for broader action against targets outside Bosnia have been knocked off the agenda by fierce allied opposition

But although Monday's statement set out conditions for air strikes – including attacks on troops under UN command, continued disruption of water and humanitarian supplies to Sarajevo, and rather more controversially, the "strangulation" of other safe areas – so far Nato has refrained from publishing any clear list of "triggers" or "ultimatums" for action.

Nato officials claim this is because they do not want to play "cat and mouse" with the Serbs. "We have seen that the Serbs are very good at running around ultimatums. We don't want to play into their hands," one Nato source said.

However, amid widespread suspicions that the European allies lack the political will to press ahead with strikes, the lack of clarity about the specific triggers would also seem to be concealing continued divisions within Nato about the readiness to take military action and uncertainty about their longer terms objectives for the area – a situation that left some officials in Brussels yesterday hopefully suggesting that any deals made in Sarajevo might stave off the need for a decision.

French and British diplomatic sources yesterday indicated that they considered that attacks on UN troops remained the most likely reason for any air strikes.

They pointed out that in spite of the political significance that Mount Igman has assumed, a Serb presence on the mountain would not in itself probably be reason for action, since the mountain does not have a specific humanitarian significance.

However, American officials, who have argued that they wish to take the broader approach of the Bosnian Serb forces into account, have indicated that continued expansion of Serbian territory could be reason for action.

"There are specific things – we can measure how much water is getting into Sarajevo, for example," an American official in Brussels yesterday indicated.

Nevertheless, according to Mr Marshall Harris, one of three former American officials who have resigned in Washington in the last week in protest at the US position on Bosnia, there are now deep divisions within the American military over the issue.

American Defence Department officials have estimated that they can take out 70 per cent of the Serbian artillery within a day by using air strikes, Mr Harris said yesterday.

Plan to fly out 41 emergency patients

By Kevin Brown in London and Christopher Brown-Humes in Stockholm

BRITAIN, Sweden and Ireland said yesterday they would arrange for the evacuation of 41 emergency medical cases from Sarajevo within the next two days.

In a joint announcement in Stockholm, Mr Carl Bildt and Mr John Major, prime ministers of Sweden and Britain respectively, said 20 of the injured would be taken to the UK, 16 to Sweden and five to Ireland.

The move, in response to an appeal from the United Nations High Commissioner for Refugees (UNHCR), is being made because shortages of water and electricity are making it impossible to carry out complex operations in Sarajevo.

The initiative follows Mr Major's decision earlier this week to order the immediate evacuation of a severely injured five-year-old girl, now being treated in a London hospital.

Most of the injured are expected to be flown in RAF transport aircraft to Ancona, Italy, and then by air ambulance to London, Stockholm and Dublin.

Mr Major, who is on an official visit to Sweden, said the initiative had not been discussed with the US or with Britain's other partners in Nato and the EC.

However, he urged other countries to join Britain in putting pressure on the UNHCR to speed up the evacuation of emergency cases.

Mr Major said Britain would continue to press the warring parties to end the fighting. He said the government remained ready to order air strikes to defend British troops serving with the UN protection force.

Fall in west European car sales accelerates

By Kevin Done, Motor Industry Correspondent

NEW CAR sales in western Europe dropped by an estimated 20.1 per cent last month, intensifying the already steep decline experienced in the first half of this year.

The July figure showed a fall to around 914,000 from 1.14m in the same month a year earlier. It was the seventh month in succession that sales have dropped.

In the first seven months of the year new car sales have gone down by an estimated 17.7 per cent to 7m from 8.5m in the corresponding a period a year ago, according to provisional industry estimates.

The decline has been led by a serious contraction in sales in Germany and Italy, the two largest car markets in Europe. The rate of decline accelerated in both markets in July, as German new car sales fell by an estimated 24.5 per cent and sales in Italy dropped by around 31 per cent.

Overall sales last month were lower than they were a year ago in 14 of 17 markets across Europe, with modest rises only in Switzerland, Norway and the UK, where sales in July rose by 7 per cent.

Western Europe is suffering its steepest fall in demand for new cars for more than a decade, with sales in the first seven months dramatically lower than a year ago in 16 of 17 markets.

The only significant gain has come in Britain where there has been a rise of 9.1 per cent, albeit from a very depressed level.

In Germany, Europe's biggest single market, sales have fallen by an estimated 20.7 per cent in the first seven months to 2.01m.

New car sales in Italy have fallen by 27.6 per cent, in Spain by 27.7 per cent and in France by 17.2 per cent.

Among the big six volume carmakers, the Fiat group of Italy, which includes Alfa Romeo and Lancia, has suffered the steepest decline, with a fall of around 25.5 per cent in its sales in the first seven months.

Rover, the subsidiary of British Aerospace, is the only significant carmaker in Europe to have raised its sales despite the serious decline in the overall market.

Its sales volume has risen by 10.5 per cent, increasing its share to 2.7 per cent from 2 per cent in the same period a year ago.

MERCEDES-BENZ, one of the world's leading luxury carmakers, is planning to launch a city car in the second half of the 1990s that would be smaller than a Ford Fiesta or a Rover Metro, writes Kevin Done. Called the Vision A 93, it will be unveiled at the Frankfurt motor show next month. Mr Jürgen Hubbert, car division head, said the concept car would "influence the development of a future Mercedes-Benz A-class car".

At only 3.35 metres long, the vehicle is evidence of the upheaval in the German luxury carmaker's product planning for the 1990s. It also reflects the intense interest of the world's leading manufacturers in developing new designs for small cars.

The Mercedes would be a four-seat, five-door model, suitable also for longer journeys. Engine and transmission would be under the passenger compartment.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-July 1993

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jul 93	Share (%) Jan-Jul 92
TOTAL MARKET	7,001,000	−17.7	100.0	100.0
MANUFACTURERS:				
Volkswagen* (incl. Audi, SEAT & Skoda)	1,170,000	−22.5	16.7	17.8
General Motors (Opel/Vauxhall, US‡ & Saab)	897,000	−14.4	12.8	12.3
– Opel/Vauxhall	862,000	−14.0	12.3	11.8
– Saab**	23,000	−30.8	0.3	0.4
Peugeot (incl. Citroën)	840,000	−17.4	12.0	12.0
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	801,000	−25.5	11.4	12.6
Ford (Europe, US‡ & Jaguar)	792,000	−18.3	11.3	11.4
– Ford Europe	786,000	−18.3	11.2	11.3
– Jaguar	6,000	−8.1	0.1	0.1
Renault††	741,000	−17.6	10.6	10.6
Nissan	243,000	−9.5	3.5	3.2
BMW	230,000	−18.5	3.3	3.3
Mercedes-Benz	193,000	−27.4	2.8	3.1
Toyota	192,000	−2.3	2.7	2.3
Rover†	191,000	+10.5	2.7	2.0
Mazda	125,000	−27.7	1.8	2.0
Volvo††	99,000	−23.3	1.4	1.5
Honda†	96,000	−13.3	1.4	1.3
Mitsubishi	90,000	−13.8	1.3	1.2
Total Japanese	863,000	−12.5	12.3	11.8
MARKETS:				
Germany	2,015,000	−24.5	28.8	29.9
Italy	1,241,000	−23.6	17.7	19.1
France	1,007,000	−17.1	14.4	14.3
United Kingdom	874,000	+9.1	12.5	9.4
Spain	467,000	−27.7	6.7	7.6

‡Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.

Source: Industry estimates

French overnight rate cut to 9.25%

By John Ridding in Paris

THE Bank of France yesterday took its biggest step towards lower interest rates since the effective flotation of the franc at the beginning of the month. However, it confirmed its gradual approach towards reducing borrowing costs.

The central bank cut overnight lending rates to 9.25 per cent, half a point lower than the rate it set on Tuesday when it trimmed the 24-hour rate from 10 per cent.

The 5-10 day borrowing rate, suspended during the currency crisis at the end of last month in an attempt to tighten liquidity and protect the franc, was unchanged at 10 per cent.

Currency analysts in Paris said yesterday's move showed France was adopting a "step-by-step" approach to interest rate cuts following the widening of the franc's fluctuation bands within the exchange rate mechanism from 2.25 per cent to 15 per cent.

"The direction is downwards, but cautiously," said one economist in Paris. "The government is not going to do anything to scare the currency markets and has made it clear that it won't cut interest rates quickly as Britain did after it left the ERM."

The franc strengthened following the rate cut, rising by about one centime to close at FFr3.511 to the D-Mark.

The French stock market, buoyed by the expectation of rate cuts, continued its rally yesterday. The CAC-40 index rose by 1.3 per cent to close at 2,167, its highest level since April 1990. The index has risen by more than 4 per cent since the franc's ERM fluctuation bands were widened, despite the slow progress towards reduced borrowing costs.

France's cautious approach to interest rate cuts has puzzled some economists who believed the government would use its greater freedom within the ERM to cut interest rates quickly in an attempt to stimulate the economy, which is suffering its worst recession since the second world war.

But Mr Edouard Balladur, prime minister, has staked his credibility on maintaining a strong franc and is reluctant to risk a rapid depreciation of the currency by aggressive interest rate cuts. The central bank also needs a period of high interest rates to rebuild its reserves.

Romanian miners back at work

By Virginia Marsh in Bucharest

ROMANIA'S Jiu Valley coal miners returned to work yesterday after a nine-day strike collapsed without apparently securing the large pay rises union leaders had demanded.

The miners' union, the government, the Ministry of Industry and the RAH, the state-owned company which administers the region's 13 coal mines, would not release details of the settlement.

Rompres, the state news agency, said the union and the RAH had agreed on monthly wages ranging from 146,000 lei ($182) for an unqualified worker up to 207,000 lei for an underground miner, compared with an average monthly wage of 224,000 lei which the union had demanded.

Reuter adds: Romanian train drivers went on strike yesterday, leaving Prime Minister Nicolae Vacaroiu facing a new round of industrial chaos just hours after he emerged victorious from a showdown with the striking coalminers.

Fyodorov says rouble zone unlikely

By Leyla Boulton in Moscow

MR Boris Fyodorov, the Russian finance minister, said yesterday it was unlikely that a handful of former Soviet republics would be able soon to recreate either a rouble zone or an economic union.

He denied Russia was seeking to write off debts to the west, saying that a statement to this effect had been the personal opinion of Mr Konstantin Kagalovsky, Russia's representative at the International Monetary Fund.

Negotiations were under way with republics that wanted to keep the rouble as their currency, Mr Fyodorov said, but "what will happen to the rouble zone remains to be seen". The central bank's botched monetary reform which proclaimed to endow Russia with a currency of its own and to cut off other republics, had shown "these issues cannot be resolved so easily," he added. He also expressed scepticism on plans for economic union with Ukraine and Belarus.

Slovak PM personifies republic's image problems

Anthony Robinson, recently in Bratislava, on new state's old-style chief

THE Slovak nationalists who took their country into separate statehood on January 1 argued, above all, that sovereignty would raise the profile of Slovakia in the outside world.

Hastily trained ambassadors were sent out to new embassies, the new state gained recognition from governments, the United Nations and a raft of other international institutions, including, last month, the Council of Europe.

But there are legitimate doubts whether expensive international exposure has done Slovakia much good. It has served to give a broader platform for Mr Vladimir Meciar, prime minister, who led his Movement for a Democratic Slovakia (HZDS) to victory in the polls a year ago and then to independence from the Czech Republic.

Mr Meciar, whose unpredictable and contradictory domestic pronouncements frequently offend ethnic minorities at home, insists on representing Slovakia abroad on all possible occasions, having sacked his first foreign minister, a popular former actor called Milan Knazko, four months ago. But his lack of experience in foreign affairs, his resemblance to the old lumbering Communist-era apparatchik, and lack of foreign languages reinforce precisely the stereotypes of Slovak backwardness which the post-Communist nationalist revival was meant to dispel.

Slovakia's entry into the Council of Europe, for example, was marred by Hungarian protests about alleged discrimination against its 600,000-strong ethnic minority in Slovakia. Only at the last moment did Budapest – which had already taken another dispute over the controversial Gabcikovo dam on the river Danube to international arbitration at The Hague – decide to abstain and allow the Slovak application to proceed.

Shortly afterwards the Slovak parliament approved a liberal language law which removed many of the Hungarian minority's complaints. But then, Mr Meciar objected and demanded a revision of sensitive clauses, such as that which dropped a requirement for ethnic Hungarian women to add the Slovak ending to their names, turning a typical Hungarian name like Nagy into Nagyova.

His decision to re-open a barely healed wound was characteristic. In July he came back from a 10-nation regional co-operation summit in Budapest only to announce that he had decided to acquire five supersonic MiG-29 jet fighters from Russia. The aircraft and spares worth $180m (£120.8m) would be acquired in part payment of Moscow's Soviet-era debt to Slovakia, he said, mirroring an earlier Russian-Hungarian agreement under which Budapest will take delivery of MiG-29 and other sophisticated military equipment worth more than $800m.

Hungary justified its own acquisition by the conflict in neighbouring former Yugoslavia. Its armed forces were kept deliberately weak by Moscow after the Hungarian army joined anti-Communist rebels fighting Soviet forces in 1956. But the risks were revealed last year when Yugoslav air force MiG-29s several times violated Hungarian air space during raids on Croatian targets in bordering Slavonia

Mr Meciar, however, chose to interpret the Hungarian move as confirmation of Budapest's ambition to reintegrate Transylvania and southern Slovakia, with their 3m strong ethnic Hungarian minorities, into a modern version of the "greater Hungary" which was dismembered by the 1920 Trianon treaty.

But it remains to be seen whether Mr Meciar will be able to complete the deal. Most of the military airports in former Czechoslovakia were sited in the Czech Republic, closer to opposing Nato forces. The military clauses of the complex inter-state divorce agreements divided the military assets of the former federal state in ratio of 2: 1, reflecting the population split of just over 10m Czechs and 5m Slovaks.

Slovakia now has far more aircraft than it can service or fly as a result. Much of the equipment transported east is inadequately stored. Acquiring even more military equipment would require substantial collateral spending on training and maintenance beyond the means of the over-stretched Slovak budget.

For, economically, Slovakia is in deep trouble. On July 9, Mr Julius Toth, finance minister, announced a 10 per cent devaluation of the Slovak koruna. This was six months after sending an IMF mission packing for proposing a 20-30 per cent devaluation which he attacked as being based on biased figures produced by Prague.

To protect the economy, he argued instead for a 20 per cent import surcharge. This has not been applied, but economists and potential investors believe the koruna is still over-valued.

Two-way trade with the Czech Republic has fallen by more 30 per cent since January and foreign investors have remained on the sidelines.

Slovakia received less than 10 per cent of foreign investment into the former federal republic. It has become less attractive now that access to the Czech market requires extensive paperwork and delays at the new border. Foreign consultants report only desultory interest from the odd potential investor: "Kicking the tyres" of the new republic, in the words of one US consultant.

Most deals are small and involve neighbouring Austrian or northern Italian companies looking for cheap components. "The Slovaks are good engineers and good metal fabricators, but hopeless at sales and marketing," one Italian businessman commented.

European Community restrictions on steel imports have hit some of the republic's most efficient enterprises, like the East Slovakian Steel Works at Kosice in the east of the country.

Slovakia's post-independence economic malaise has been accentuated by a Communist-era bureaucracy, lack of progress in privatisation and a wave of government resignations, including that of Mr Lubomir Dolgos, the privatisation minister. The haemorrhage of frustrated ministers has left Mr Meciar isolated at the head of a minority government and searching for an alliance with the small Slovak National party.

Meanwhile, higher taxes have been unable to fill the gap left by the collapse in profitability of the big arms and other state enterprises. Loath to reduce the bureaucracy, and committed to expensive prestige projects like new theatres and the restoration of cultural monuments, the government is being forced to cut pensions and social spending to try to keep the budget within IMF-agreed limits.

Devaluation has cleared the way for a $90m "systemic transition facility" loan from the IMF with less conditionality than required on a regular standby facility. But the government will be hard pressed to keep the public sector deficit to Kcs15bn (£300m) given that the deficit reached Kcs14bn by mid-July.

Associated Press

Mr Vladimir Meciar prays for his country, which has serious political and economic difficulties

AN ESTIMATED 100,000 ethnic Slovaks, most of them living in the Czech Republic, have applied to relinquish their citizenship since Czechoslovakia broke into separate states, a Slovak official said yesterday, Reuter reports from Bratislava. Some 500 a day applied last month, she said, but the figure was now falling.

Under Czech regulations, Slovaks with two years' residence in the Czech Republic have until the end of this year to trade in their Slovak passports for Czech ones, a swap that requires formally giving up their Slovak nationality. Only a few hundred Czechs have applied for Slovak citizenship.

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Anti-crime proposals would limit appeals against execution

Clinton gun-control plan

By George Graham in Washington

PRESIDENT Bill Clinton yesterday launched a broad set of proposals to combat crime, with measures to control gun sales, hire more policemen and limit appeals against the death penalty.

Mr Clinton promised to introduce a crime bill into Congress next month offering \$3.4bn (£2.3bn) to put up to 50,000 more police officers on the beat, and called the proposals a "major down payment" on his campaign promise to use the power of the White House to prevent and punish crime.

The package would also bring tighter controls on gun sales, including a new drive to pass the Brady bill, which would require a five-day waiting period before the purchase of a handgun.

"We must end the insanity of being able to buy or sell a handgun more easily than obtaining a driver's licence," Mr Clinton said.

The Brady bill, named after a former White House press secretary who was shot during an assassination attempt on President Ronald Reagan, is now widely supported by police chiefs, although few of them believe it would do much to stem the availability of illegal weapons to criminals.

Mr Clinton ordered immediate executive action to ban the import of assault-style handguns, and to tighten controls on the issue of licences for gun dealers.

Current rules allow 280,000 people to sell guns under scant government supervision, most of them working from home, in exchange for a fee of \$10 a year.

The proposed crime package also contains measures to extend the death penalty, mostly applied at the state level, to a number of federal crimes, and to limit prisoners sentenced to death by a state court to a single habeas corpus appeal to the federal courts.

Although capital punishment was reauthorised by the Supreme Court in 1976, and is widely supported in US public opinion, 15 times as many prisoners are sentenced to death each year as are in fact executed.

The Supreme Court has become less and less receptive to appeals from death row prisoners, but some state law enforcement officials still complain that the appeals process can drag on for years.

Many of the measures proposed by Mr Clinton yesterday were contained in crime legislation passed in 1991 and 1992 by both chambers of Congress, but eventually blocked by Senate Republicans who wanted much tougher curbs on habeas corpus rights.

Gore in new look at flood control

By George Graham

Associated Press

Carl Palesch of St Charles, Missouri, looks into second-storey windows of his flooded home yesterday, as the floods recede. They were under water last time he checked

STATE floodplain managers have begun working with the White House to develop new approaches to flood control, in the wake of this year's devastating Mississippi floods.

Mr Larry Larson, head of the floodplain management and dam safety programmes for Wisconsin and executive director of the Association of State Floodplain Managers, said yesterday his organisation had begun to work with Vice President Al Gore and hoped to work out better ways of keeping people out of harm's way.

"We as floodplain managers would hate to see the people affected by this flood walk away thinking it will never happen again. It will happen again," Mr Larson said.

Mr Larson warned that many of the earthwork levees built along the river were only designed to contain much lesser degrees of flooding. Sandbag barricades on top of the levees simply increased the pressure elsewhere.

"Many of the people along the river understood that if that levee on the other side of the river failed, their levee would be under much less pressure," he said.

Alternatives to building more and higher levees included relocating individual buildings or whole communities on higher ground, or lifting building foundations.

Some small towns badly hit by this year's floods have already started discussions with the Federal Emergency Management Agency on the possibility of moving to higher ground.

Mr Larson's call was echoed by Mr Kevin Coyle, head of the American Rivers environmental group. Mr Coyle urged the White House to appoint a commission to rethink the management of the Mississippi basin, and to throw its weight behind a reform of the government flood insurance programme, which he said had encouraged people to build in the path of likely flooding.

● President Bill Clinton will sign a \$6.3bn flood relief bill today in St Louis, heart of the flood-stricken Midwest, Reuter reports.

Brazil under pressure to curb mounting inflation

By Christina Lamb in Rio de Janeiro

THE inexorable rise in Brazil's monthly inflation, expected to top 33 per cent this month, has led to growing demands for drastic action to tackle the problem, even a new "shock plan" of economic measures.

Prices of food have been rising particularly quickly and, in an apparent sign of desperation, the government yesterday reinstated Sunab, the prices watchdog body previously associated with enforcing price freezes.

The government has promised the International Monetary Fund that it will reduce monthly inflation to 25 per cent by December, but companies have revised predictions upwards for this year to 1,900 per cent, Brazil's highest ever.

Although Mr Fernando Henrique Cardoso, Brazil's new finance minister, keeps smiling, the problems are proving far more intractable than expected. Last week, for the first time, he admitted he would need to take further measures against inflation beyond the promised clean-up of public finances.

The financial markets reacted so violently that Mr Cardoso was forced to go on television to quash rumours of his impending departure. This Saturday he will address the nation, apparently to reaffirm that no shock plan is being prepared.

Nonetheless, the clamour for shock measures, such as a price freeze, is growing. Mr Tasso Jereissatti, president of the Social Democratic party, accused the politicians, businessmen and workers making such calls of "a lack of solidarity" with the government's long-term strategy of fiscal adjustment. "In the 12 weeks since Mr Cardoso took office we have gone from people being scared of a shock to people demanding it," he said.

Mr Cardoso's stated priority of balancing government accounts is in trouble. Despite making \$6bn (£4bn) in cuts, the government's most optimistic figures for next year's budget put the operational deficit at a record \$31.5bn. A new cheque tax, which was supposed to bring in \$600m a month, is being contested in court, state governments are proving reluctant to repay their debts to the centre, and the cost of the federal payroll has jumped from \$14bn to \$18bn.

The privatisation programme has almost come to a halt and President Itamar Franco now says he will not allow the sales of big companies such as Vale do Rio Doce and Petrobras.

To Mr Cardoso's dismay, congress approved a new wage policy requiring monthly real wage adjustments, though this would be highly inflationary. Mr Franco vetoed the measure, offering a compromise which would still cost the government an extra \$2bn this year, but he has yet to obtain congressional approval for this.

On the positive side, the Central Bank has managed to convert 20 per cent of domestic debt from 28-day into 130-day securities and tax revenues have increased \$500m a month, thanks partly to a change in legislation forcing companies to pay at source tax on financial profits. The motor industry has just announced its best month ever.

But there seems little other reason for optimism. Spending pressures will increase enormously as campaigning gets under way for next year's congressional and presidential elections.

It has not escaped anyone's notice that Mr Domingo Cavallo, the Argentine finance minister and author of that country's successful anti-inflation dollarisation plan, will be paying a visit next month.

Presidential election revives Chilean political dynasties

David Pilling looks at the prospective candidates' lineage

AFTER 17 years of military rule and more than three years of transition to democracy, a certain familiarity has returned to Chilean politics. The old family names that dominated public life for much of the century have resurfaced, as the son of one former president and the grandson of another prepare to do battle in December's presidential election.

Four months before Chileans are due to go to the polls, the result is almost a foregone conclusion. Barring extraordinary mishap, Mr Eduardo Frei, son of the much-acclaimed president of 1964-70, will gain the presidency as head of the ruling Concertación coalition of centre-left parties. For months, opinion polls have shown 42-year-old Mr Frei more than 40 percentage points ahead of his nearest rival.

However, the gap is now likely to close, following the selection on Sunday of Mr Arturo Alessandri, grandson of one president and nephew of another, as the compromise candidate of the rightwing electoral pact, the Union for Chilean Progress. Chileans like "trademark names", said Mr Alessandri shortly after gaining the nomination, and now they have two.

The nomination of Mr Alessandri, 69 and considered by many a political lightweight, was largely a result of the rivalries that have plagued Chile's right since the handover to democracy. The two main opposition parties, Renovación Nacional and the Union of Independent Democrats, could not agree on a common presidential candidate, allowing Mr Alessandri, an independent, to emerge as a compromise.

It is a further sign of disarray among the opposition that Mr José Piñera, the architect of many of Chile's successful economic reforms and arguably the most respected rightwing politician, has deserted the electoral pact and is running his own presidential campaign. Mr Piñera, whose Ross Perot-type stance casts him in the role of "anti-politician", has taken to sniping from sidelines, calling the pact "marginal" to the presidential elections.

Mr Frei, on the other hand, came through May primaries with consummate ease. After a period of friction within the Christian Democrat-dominated coalition, Mr Frei negotiated a deal with his main rival, the Socialist leader Mr Ricardo Lagos.

Mr Frei inherits from President Patricio Aylwin, a fellow Christian Democrat, an economy that grew by 10.2 per cent last year, and the leadership of a coalition that has successfully stolen the right wing's thunder. Under Mr Aylwin, the Concertación left virtually unaltered the liberal, export-led economic development model established under the regime of General Augusto Pinochet.

The right, which used to suggest the Concertación was incapable of applying the model successfully, has given up that attack after three years of exceptional economic growth. Its campaign has now moved on to issues of personal liberty, law and order and government bureaucracy.

> Chileans like 'trademark names', said Mr Alessandri shortly after gaining the nomination, and now they have two

Diplomats say Mr Frei's main task was to keep a low profile and shy away from controversy. He has, they say, become an expert at not saying anything. He will instead stress continuity of policy and will pledge to deepen economic reform and extend its fruits to Chile's more than 3m poor.

He has also promised to pay more attention to health and education, which have been neglected in recent years.

The real interest of December's poll – the first handover from one democracy to another since 1970 – lies in the congressional elections, according to Mr Francisco Javier Cuadra, a political analyst and former minister under Gen Pinochet. The right enjoys a blocking vote in both the 120-member chamber of deputies and the 47-member senate, which it will be desperately seeking to maintain.

Much of the right's congressional strength stems from the 1980 constitution which allowed Gen Pinochet to appoint nine non-elected senators and which weighted national elections in favour of the opposition through a complex binominal voting system.

"The Concertación can only change the constitution if it gets a two-thirds majority, but it can only win a two-thirds majority by changing the constitution," says one observer.

Significant areas of government legislation, such as tax reform, have been watered down in congress. Likewise, the opposition has stonewalled attempts to reform Gen Pinochet's 1980 constitution, which, among other things, prevents the president from sacking military commanders-in-chief.

It is in this context that the opposition's electoral pact and its selection this week of Mr Alessandri as presidential candidate becomes important. If the right had shattered and failed to agree common electoral lists, as at one stage seemed possible, the Concertación might have achieved a more than two-thirds congressional majority. Mr Frei's ability to reform the constitution, something he has vowed to attempt, would have been significantly strengthened.

It is a measure of Chile's long and stable democratic tradition that 17 years of military rule have not greatly affected voting patterns. For much of the century the electorate has lined up in roughly equal blocks – a third on the right, a third in the centre and a third on the left. That pattern was almost exactly repeated in last year's municipal elections.

Electoral rewards have usually gone to those parties best able to negotiate pacts and coalitions across these voting blocks. The Concertación has forged an alliance of left and centre parties that will certainly win the elections in December. But it has probably not done enough to upset the right's crucial role in the balance of power.

Tension high as Nigeria braces for protests

Stay-aways and demonstrations have been called across the country, writes **Paul Adams**

THE SENSE *of foreboding is* almost palpable as Nigeria prepares for three days of protest, starting today, which could as easily tilt the country towards instability as thrust it towards democracy.

Armed soldiers were posted at main intersections in Lagos yesterday. Shops and offices closed early. Every bus heading out of Lagos was laden as thousands of workers sent families and belongings to the safety of their home towns and villages.

Infuriated by President Ibrahim Babangida's annulment of the June 12 presidential poll, the Campaign for Democracy – an informal coalition led by civil rights activists, has called for a protest without precedent in the country's post independence history.

Stay-aways, rallies and acts of civil disobedience have been called across the country, to press home demands that General Babangida fulfil his pledge to hand over to an elected civilian government on August 27.

Campaign organisers said yesterday the protests would go ahead *today despite the* government's threat to impose a state of emergency. "The protests are still on," said Mr Livinus Ede, a CD official. "The government statement has nothing to do with it."

Yesterday, Nigeria's biggest oil workers' union said it would strike if the country's military rulers failed to hand over power on that date.

"We will embark on a sit-at-home strike until justice is done in all its ramifications," the National Union of *Petroleum* and *National Gas* Workers said.

But the days ahead could demonstrate the vulnerability of the oppo*sition rather than* undermine the position of a seemingly intransigent general, either wedded to power or fearful of the consequences of surrendering it, given his deep unpopularity.

The protests *so far have been loud*, but discordant. The two permitted opposition parties are weak, the poorly organised trade union move*ment faces high unemployment*, the brave civil rights campaigners have few resources, and the ex-generals fear the bloody consequences of confrontation.

For all those contemplating action, the very memory of the the civil war over Biafra may mute their protest. The carnage and starvation that cost hundreds of thousands of lives may *be history, but the spectre of seces*sion is real even to the post-war generation.

Whether Yoruba people from the *south, Ibo from the east*, Hausa-Fulani from the north, or a member of a minority required by realpolitik to take sides, the fragility of the Nigerian federation remains an abiding concern.

All the main opposition players – leaders of the Social Democratic Party and the National Republican Convention , and retired General *Olusegun Obasanjo, head of state* from 1976 to 1979 and chairman of the Association for Democracy – are aware of this fragility.

The fault line is blurred, as the presidential poll showed. Chief Moshood Abiola, SDP's victorious presidential candidate, is Yoruba, but a Moslem, has his stronghold in the south but won substantial support in the north.

Nevertheless, in times of stress the fault line runs between the largely Christian south and the predomi*nantly Moslem north, with sides* aware that the vital asset is the oil in the east, responsible for over 90 per cent of Nigeria's export earnings.

Against this background, it is understandable that the two main opposition parties are holding back from the latest campaign. A similar call for protests last month ended in violence in which up to 100 people died.

The more progressive SDP lays claim to more *grass-roots* support than the NRC. However, neither has a distinct ideology or can generate mass appeal.

Mr Abiola is in the US rallying support for his presidency, but while he is away there is little focus for resistance.

But the deciding factor may be the role of the Nigeria Labour Congress. Although it has indicated it is prepared to call a national strike if there is no handover to civilian rule on August 27, this week's campaign organisers believe that pressure must be exerted now if Gen Babangida is to fulfil his promise.

The exasperation *of* many Nigerians with the inability of the political parties to resist the Babangida regime has brought respected *non-partisan* national figures into the fray.

Most notable is Mr Olusegun Obasanjo, who became the only Nigerian president to give up power voluntarily when he ended 15 years of military rule in 1979. Mr Obasanjo has done more than anyone in Nigeria to debunk the myth of Mr Babangida as a saviour whose reforms will make Nigeria a better place.

Having campaigned vigorously to persuade northern *traditional* rulers that there must be no civil war, Mr Obasanjo seems to be throwing his support behind civilian protest.

"The current political crisis is not an ethnic or religious issue" he said last week.

In a speech last Monday, Mr Obasanjo summed up what is at stake: Nigeria is diminished and dispossessed, money is squandered and the majority of Nigerians are impoverished. As long as the military are at the helm... "democracy and good governance elude us".

Gen Olusegun Obasanjo, Nigeria's former president, on his farm in Ogun state: debunking the myth of Gen Babangida as the nation's saviour *Ashley Ashwood*

PLO seeks revised strategy for peace process

By Julian Ozanne in Tunis

PALESTINIAN leaders holding crisis talks in Tunis focused *debate yesterday on* how best to co-ordinate positions on peace negotiations with Israel and ensure a democratic debate.

The broad debate on Palestinian strategy, which also reflected desire for a revision in the framework of the Middle East peace process, came as Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, acknowledged for the first time that three Palestinian negotiators had threatened to resign.

Mr Arafat said that after three days of talks *within* his Fatah faction, the PLO executive committee would now decide whether to accept the *resignations offered by* Mrs Hanan Ashrawi, Mr Faisal Husseini and Mr Saeb Erekat. The three negotiators are upset about a lack of consultation by Mr Arafat.

As a concession to the three moderates, Palestinians are considering setting up a joint "administration" linking PLO leaders with negotiators from the Israeli-occupied territories which would decide on a unified negotiating position. Such a move, if approved, would lessen Mr Arafat's grip on strategy, improve communication and strengthen the influence of negotiators from inside the occupied territories.

A senior PLO official, however, said that the issue at the heart of the crisis was the framework for peace talks agreed in Madrid by all the parties in October 1991. He said it was recognised that after 21 months of fruitless talks the process contained two "fundamental flaws" – no direct talks between Israel and the PLO and a two-phased agreement which leaves resolution of the most sensitive issues, such as control over Israeli-occupied Arab east Jerusalem, until after an interim agreement on self-rule has been signed.

"The restrictions imposed by the Madrid framework has caused this latest tension and confusion because it makes divisions between the PLO and the negotiating team," said the official. "The framework no longer works and it must be changed if we are going to make quick progress on peace." He also said Palestinians concurred that direct talks between Israel and the PLO, besides unifying leaders from inside and outside the territories, would help to accelerate peace talks.

There is less consensus on the need to abandon talks on the interim phase of Palestinian self-rule and move directly on to talks about the "final status" of a Palestinian entity. *Both the US and Israel oppose* any change in the Madrid framework until the possibilities of an interim agreement *without direct talks with the* PLO have been exhausted.

Khmer Rouge threatens to step up attacks

Cambodians turn back returning Vietnamese

By Iain Simpson in Phnom Penh

THOUSANDS of ethnic Vietnamese fishermen and their families who fled Cambodia after a wave of killings by Khmer Rouge guerrillas are being prevented from returning to the country by the new interim Cambodian government in Phnom Penh.

The government says it cannot protect them from the threat of violence, but United Nations officials working in Phnom Penh believe that is largely an attempt to excuse their hostility towards the ethnic Vietnamese.

Most of the people who are now trying to re-enter Cambodia fled the country with what they could cram *into their boats after more* than 100 ethnic Vietnamese people were killed in April in a series of Khmer Rouge attacks on their floating villages.

At a meeting on Tuesday, the head of the United Nations Transitional Authority in Cambodia (Untac), Mr Yasushi Akashi, pressed the two interim prime ministers to allow the people back into Cambodia. However, Untac officials say they do not believe his appeal will produce any immediate change in the government's attitude.

Untac officials say the ethnic Vietnamese must be given the freedom to choose where they want to live. The people at the border were mostly born in Cambodia and have lived most of their lives in the country.

There is still a serious threat to ethnic Vietnamese people who return to Cambodia. On Tuesday night, six were killed in an attack on their house in the central province of Kompong Chnang. Local officials say there is evidence that these killings were the *work of Khmer Rouge* guerrillas.

In recent weeks Khmer Rouge radio has been *broadcasting* increasingly bloodthirsty calls to Cambodians to rise up and kill ethnic Vietnamese people if they come back to Cambodia. A broadcast on Khmer Rouge radio last week warned that Cambodians were "sharpening their knives" in preparation for what it called "a new Vietnamese invasion".

The Khmer Rouge reign of terror in Cambodia was overthrown when Vietnamese troops invaded the country in December 1978.

Untac officials at the border *say the people there are well* aware of the danger they face if they return to their homes in central Cambodia. They still *want to go back, though*, because they have run out of food and money and they have no means of earning a living away from the great central lake, the Tonle Sap, where they live and fish.

Most of them have fled twice *from Cambodia: the first time* when the Khmer Rouge came to power in 1975 and the second in April this year, when Khmer Rouge guerrillas made a concerted attempt to force them out and the United Nations was unable to protect them unless they chose to leave.

Aid sought as locusts spread

By Alison Maitland

AT LEAST $6m (£4m) is needed urgently in donor aid to prevent a new plague of desert locusts which could spread across Africa, the Middle East and south-west Asia, the United Nations Food and Agriculture Organisation (FAO) said yesterday.

Rain in the Sahel countries and monsoons in Asia were encouraging rapid breeding by the locusts, which now constituted "a major threat to food crops and food security", said Mr Edouard Saouma, FAO director-general.

Swarms had been reported throughout east Africa and the Sahel, said the Rome-based FAO. Last month they also spread from Yemen towards Oman in the Gulf and eastwards to Pakistan and India.

Mr Saouma said the interna*tional community* had responded generously but more aid was needed.

"This is the greatest threat since the last plague of 1988," when millions of dollars of damage was done to African crops, said Mr Keith Cressman, FAO locust reporting and forecasting officer.

Buthelezi calls for East Rand peace with ANC

By Philip Gawith in Johannesburg

CHIEF Mangosuthu Buthelezi, leader of the Inkatha Freedom party, yesterday called on his supporters in the East Rand townships, where more than 400 people have died in political conflict over the past five weeks, to make peace with rivals in the African National Congress.

Chief Buthelezi was addressing about 3,000 supporters at a rally in Thokoza, the township at the heart of much of the recent violence, which has seen Inkatha supporters pitted against the ANC. Echoing a similar call made by ANC leader Mr Nelson Mandela when he visited the area last week, Chief Buthelezi said: "I say to IFP members and ... supporters that they must find common cause with ANC members and... supporters."

Chief Buthelezi made no mention of when Inkatha might return to constitutional talks which it walked out of on July 2. The Inkatha central committee is expected to make a decision on Saturday.

Like Mr Mandela, Chief Buthelezi yesterday accepted that political leaders themselves had to do more to stop the violence. He said it was not good enough "for us as black leaders when we fail to stop the violence and turn around to blame it only on the ineffectiveness of the security forces".

He stressed, though, that violence would not stop without the efforts of the people on the ground. "When that will does not exist, no peace-keeping force and no dispute resolution committees will ever be able to function properly."

Although his tone was more emollient than recently, this did not stop Chief Buthelezi repeating his call for the disbandment of Umkhonto we Sizwe (MK), the armed wing of the ANC. He said the absorption of MK into the Defence Force, or into the recently mooted multi-party peace-keeping force was a "total prescription for disaster".

Angolan rebels 'pushed back'

THE Angolan government said yesterday it had repelled Unita rebels from central parts of the city of Cuito, where hundreds *of people have been killed in* recent heavy fighting, Reuter reports from São Tomé.

State radio, monitored in the island state of São Tomé and Principe, said it had pushed the rebels back to the outskirts, from where they continued to shell the central highlands city.

The radio denied reports that Unita had gained the advantage in Cuito. Unita had controlled some streets but the situation had now been reversed, it added.

Unita said on Tuesday it had seized part of Cuito, where the government says rebel shelling has killed more than 200 civil*ians in the past few days.*

Hospital sources quoted by Angolan state radio said more than 20 civilians were killed in the rebel shelling *of the city on* Tuesday.

China draws up rules for exchanges

By Lynne O'Donnell in Beijing

CHINA'S Communist party has issued new regulations aimed at stamping out corruption in the country's two infant stock exchanges. The move follows a drive against corruption within the party's own ranks.

The regulations lay down that the two bodies charged with overseeing the stock exchanges, the State Council Securities Policy Committee *and the China Securities Regu*latory Commission, must comply with 23 rules.

Mr Zhu Lin, secretary general of the CSRC, has been quoted by the official press as saying the new rules will "place securities officials under the supervision of the public and prevent insider trading". The 89 employees of the two organisations face the sack if they are caught taking bribes, *while* companies *that* try to bribe them risk having their licences suspended and any new stock issues cancelled.

The stock exchange in Shanghai opened in 1990 while the exchange in Shenzhen, which borders Hong Kong, *started operating the following* year. Although there are about 100 listed companies, observers believe that more than 3,000 *companies are trading stock.*

The lack of a securities law was highlighted last August when trading on the Shenzhen *exchange was suspended tem*porarily after hundreds of people rioted over the corrupt allocation of new shares.

Reuter

Yoran Sheftel, John Demjanjuk's Israeli defence lawyer, is *escorted from court by police yesterday after threats to his life*

DEMJANJUK RULING DELAYED

ISRAEL'S Supreme Court put off a ruling yesterday on whether Mr John Demjanjuk, acquitted of being Nazi killer *"Ivan the Terrible", should* face new war crime charges, as demanded by some death camp survivors, Reuter reports *from Jerusalem. Attorney* General Yosef Harish told the court that the government did not want to press new charges. *Eight petitioners argue there* is enough evidence for a second trial on other charges.

Afghan border focus of region's woes

Farhan Bokhari reports on the hostilities bubbling across central Asia

STINGER anti-aircraft *missiles were among the* deadliest weapons in the arsenal of the Afghan tribesmen who fought Soviet troops. Now the US Central Intelligence Agency, which supplied hundreds of the shoulder-fired missiles to the Afghan resistance, wants them back.

Fears of spreading conflict on Afghanistan's border, while central control in Kabul, the capital, remains tenuous, are likely to have added urgency to the CIA's quest to retrieve sophisticated weapons in what a senior Pakistani official calls "*a very tense situation.*"

The region's troubles, with settlement of Afghanistan's long civil war still fragile, have been worsened by hostilities bubbling on the border between Afghanistan and the central Asian republic of Tajikistan.

As the border war has escalated, Moscow has responded to growing cross-border attacks by Afghanistan-based Tajik rebels - who *fled Tajikistan* after losing a civil war last year – by sending additional troops to defend the beleaguered government in Dushanbe, the Tajik capital.

Russia, which has an agreement with the Tajik government to defend the Afghan border, justifies its presence on the grounds that it must stem a fundamentalist Moslem *threat and defend the interests* of the 200,000-strong Russian minority in Tajikistan.

But conscious of the domestic political dangers of again becoming embroiled militarily in Afghanistan after Moscow's severe losses in the 1980s, Mr Andrei Kozyrev, Russia's foreign minister, has said: "Russia will not compensate for a lack of political will towards reconciliation in Tajikistan with the blood of its own soldiers, as happened before in Afghanistan."

Although Mr Hidayat Amin Arsala, the Afghan foreign minister, has been in Dushanbe this week for talks with the Tajik government, there are few signs of an immediate breakthrough.

Both sides are under pressure from *Moscow and other* governments in the region, notably Pakistan and Iran, to negotiate a settlement and prevent *another war involving* Afghanistan.

Western diplomats voice fears over the role of Islamic militants in destabilising the newly independent central Asian republics, as well as in intensifying their activities against other governments in the area.

According to a foreign diplomat in Dushanbe quoted by Reuters: "What the fundamentalists in northern Afghanistan want is not just to bring the Tajik opposition back to power but to move into other countries of Central Asia, destabilise those areas, replace those governments with Islamic governments and move into Russia itself."

Of their allies in Afghanistan, another diplomat in *Dushanbe said:* "These people all fought the communist (Afghan) government and that united them. In Tajikistan, *they see a revival of* communism on the ruins of the former Soviet Union. This is why it's easy for them to project the idea that communists are fighting Islam here."

Mr Sotorios Mousouris, the UN secretary general's personal envoy for Afghanistan, says: *"I hope we don't see any* replay of the conflict between Afghanistan and Russia. I don't think this region needs another conflict. Afghanistan has enough problems on its own."

Western diplomats are concerned that the new conflict has come as Afghanistan remains without a clear political settlement and an effective government in Kabul, its capi*tal. As a result*, there is no central authority which could use force to restrain the Tajik fighters or negotiate on the country's behalf.

Although in recent weeks there has been a lull in large-scale fighting around Kabul, with occasional clashes and small scale casualties, prospects for a lasting settlement remain bleak.

"There is respite at this moment. Kabul is relatively calm," says Mr Mousouris, adding that "the various forces which control Kabul are in the same position that they had before, both militarily and politically".

However, Afghanistan's two leading rivals, Mr Gulbuddin Hekmatyar, the prime minister, and Mr Ahmed Shah Masood, the former defence minister, remain in control of large numbers of war-hardened mujahideen followers who are well armed. In addition, the powerful Uzbek general, Rashid Dostum, remains in control of a large number of militiamen who can be instantly deployed in battle.

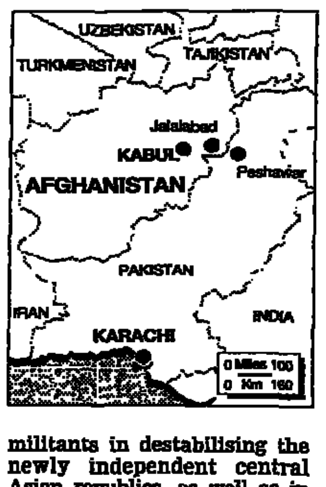
Although the Afghan government of President Burhanuddin Rabbani apparently wants *to negotiate an end to the bor*der fighting, its ability to restrain dissident groups is limited.

Efforts towards reconstruction to facilitate a return of Afghan refugees and normal working of the government have also had little success. Food supplies remain inadequate due to road blocks erected by different area commanders, who prevent convoys from reaching the capital. International donors have given only $40m to rehabilitation efforts in response to a UN *request for $138m.*

Diplomats are worried that in the absence of a clear political settlement in Kabul, the shortage *of funds for relief and* reconstruction has made it even more difficult to hope for peace.

*Meanwhile, demand result*ing from the continuing troubles has pushed up black market prices for Stinger missiles to $100,000, *and the CIA does* not have enough money to buy them. According to the Los Angeles Times, it has had to ask the *Clinton administration* for an extra $55m for operation MIAS (Missing In Action Stingers). The Bush administration had given *it $10m.*

The Tajik government said yesterday four Russian soldiers and a Kazakh officer guarding the frontier with *Afghanistan had been seized* by guerrillas from across the border, Reuter reports from Dushanbe. The foreign ministry said it was an attempt to disrupt peace talks between the two states and demanded Afghanistan return the five. The seizure raid came as Tajik and Afghan foreign ministers held a second day of talks in Dushanbe to try to defuse border tension.



First foreign entry into sector since 1976

Venezuela approves natural gas project

By Joseph Mann in Caracas

THE Venezuelan Congress has given final approval to a $5.6bn natural gas project that involves the first foreign equity investment in Venezuela's oil and gas sectors since the country's oil industry was nationalised in 1976.

This decision is expected to open the door to other big international investments in Venezuela's petroleum sector.

The partners in this joint venture, the largest single project ever undertaken by the Venezuelan oil industry, are Lagoven, a subsidiary of the national oil company PDVSA, which will have 33 per cent of the equity; Royal Dutch/Shell (30 per cent); Exxon (29 per cent) and Mitsubishi (8 per cent).

The project calls for producing natural gas from offshore fields in the Caribbean, transporting it to land by pipeline, and building a large gas liquefaction plant, port facilities and other infrastructure on the Paria Peninsula in eastern Venezuela.

The promoters plan to export the final product, liquefied natural gas or LNG, to meet growing demand for "clean energy" in markets on the east coast of the US and in Europe.

Liquefaction capacity is projected at 6m tonnes a year, and the partners will buy or lease six 50,000 dwt LNG carriers.

Under Venezuela's Oil Industry Nationalisation Law of 1975, joint ventures in oil and gas between the national oil company and any private investors can be carried out only when the project represents "the national interest" and receives approval by both houses of the Venezuelan legislature.

This week's congressional approval came with the votes of the country's two largest political parties, Democratic Action and the Christian Democrat Copei party.

Political parties on the left mounted a last-minute campaign to block the project, saying it would be contrary to national interests.

This joint venture is one of the very few cases worldwide where competitors Shell and Exxon are working together on a big investment.

The project, called Christopher Columbus to honour the explorer's landing on the Paria Peninsula in 1498, has been under discussion by the partners for around four years. It was delayed earlier by questions about future demand for LNG imports and by concerns over the protection of technology to be used, applicable tax rates and whether legal disputes would be settled by Venezuelan or foreign courts. (The latter will have the final word.) These issues were eventually resolved to the satisfaction of the partners.

The change in attitude towards foreign investment in Venezuela's oil industry was forced on many Venezuelan politicians by economic reality. PDVSA and the Venezuelan government have been seeking foreign capital for big projects in oil and gas for some time. PDVSA executives and government officials including Mr Alirio Parra, minister of energy and mines, have stressed that PDVSA by itself cannot finance some important projects.

The joint venture agreement stipulates that the project will last for 30 years after the first commercial shipment is carried out. If construction work begins this year, the promoters expect to begin exporting LNG in 1999.

Hangzhou on a Georgian's mind

Barbara Harrison on an Atlanta group's $1.3bn plan to build a Chinese city

MR John Portman, a renowned Atlanta architect and developer, is credited with having built the downtown area of his native city nearly single-handed. But he is now making a significant mark on turf very far from home.

John Portman & Associates, his international architectural and engineering company, has won the design and master plan contract for a $1.3bn (£870m) project to create a city in China. The massive project will cover 356 acres on the southern banks of the Qiantang River, near the eastern coastal city of Hangzhou.

The developer is a consortium called Hangzhou Qiantang River City, whose leading partner is Mr Ho Iat Seng of Hotin Industries, a manufacturing and property developer based in Macao. It also includes industrialists, academics and businessmen from Hong Kong and Macao.

The new city, which will take seven to 10 years to complete, will accommodate 34,000 people and include villas, high-rise residential apartment buildings, office buildings, shopping malls, hotels, international schools, clinics, hospitals and government offices. Mr Portman claims it is the largest investment ever undertaken by foreign interests in Hangzhou.

It took "patience and perseverance", says Ms Danielle Martin, spokeswoman for Portman.

Those qualities will be much in demand again for Portman and other companies working on Chinese projects if the dour real estate market projections of KPMG Peat Marwick hold true.

According to Mr Winston Elton, a partner at KPMG Peat Marwick who specialises in the Chinese market, China's real estate market is in a nosedive. Mr Elton says the overheated market "has cooled off and will do so considerably more".

The frenetic rush to build over the last decade has recently been brought to an abrupt halt with the decision last month by the central government to shut off credit to provincial governments. Mr Elton, who recently returned from six weeks in China, said. "Real estate deals have been hung out to dry."

Some projects, particularly

those near Shanghai, are still likely to go forward, in part because of substantial investment already made by the government. Projects in the interior are likely to be put on hold.

On the brighter side, Mr Elton believes the downturn will be temporary because the long-term demand is there. Nonetheless, he says the market has tremendous risk, not least because of political uncertainty. "You're kind of rolling the dice," he said.

This is the fourth big contract for Portman in China.

The best-known of its predecessors was the first, the $200m residential and commercial Shanghai Centre, completed in 1990. The company also designed the $100m, 565-unit resort community called Dream Lake Villas in Hangzhou. And it provided the master plan for a less plush residential and vacation resort called Taihu Garden at Wuli Lake in Wuxi, which will include 560 villas, a conference centre and multi-storey apartments.

The prominent Shanghai Centre is home to many foreign businesses, with a waiting list for its commercial and residential space. Portman also plays a management role in the project's Shangri-La Hotel.

The Atlanta company began concentrating on the Far East in the 1980s. It has designed projects in Hong Kong, where it has had offices since 1980, Kuala Lumpur, Japan, Singapore and Indonesia.

Thanks largely to Mr Portman's son Jack, who began travelling to China in the late 1970s, Portman & Associates is reaping the fruit of having doggedly built relationships with the Chinese.

The younger Mr Portman's success can be measured in part by the fact that when Chinese leader Mr Deng Xiaoping visited the US in 1979 to seek closer ties, one of his stops was the Portman firm in Atlanta.

"The key to business in China is *guanxi*, or relationships," says Mr Elton. "You need internal political clout." Not least, he adds, to ensure that you are paid.

Another requirement is a commitment to the long term. When China was just beginning to open in the late 1970s and early 1980s, Portman officials believed the country, and particularly Shanghai, would develop quickly.

But, says Mr A J Robinson, president of Portman Overseas, a Portman affiliate, the boom came much later than the company had initially thought. "We knew if we could just hold on long enough, it would happen," he says. And the quality of Portman's *guanxi* can expect to be tested for the new Hangzhou city.

Taiwan seeking investment in big petrochemical plant

TAIWAN'S state-owned Chinese Petroleum Corp (CPC) said it had invited 20 private Taiwanese companies to invest in building a multi-billion dollar petrochemical complex on the island, **Reuter reports from Taipei**.

The 20 companies have been briefed on CPC's plans for the complex, which would include a naphtha cracker with annual production capacity of 900,000 tonnes of ethylene and an oil refinery with a daily capacity of 200,000 barrels.

"We hope the private companies will present plans for their participation next month so that we can map out the whole project," a CPC spokesman said.

He said CPC would have a stake of 30-35 per cent in the project, with the private sector holding the rest.

CPC itself is on the government's list of companies to be privatised, but no date has been set.

The spokesman said other details of the complex, including the size of investment and the site, had yet to be decided.

Taiwan's Tuntex group, one of the companies invited to take part in the CPC project, last month announced plans to build its own $3.3bn (£2.21bn) petrochemical complex. But the government has urged Tuntex to merge its plan with CPC's, arguing two more ethylene plants would create overcapacity.

Taipei agrees Paris flights

TAIWAN has signed an agreement to start direct air links with France next month, the Civil Aeronautics Administration (CAA) said yesterday, **Reuter reports from Taipei**.

Flights between Taipei and Paris will start in September, and weekly flights will increase to three next year from two this year, Mr Charles Lin, CAA's aviation division chief, said.

Taiwan's flag carrier, China Airlines, and Air France will not use aircraft carrying national flags of the two countries to fly the route, to avoid wounding political sensitivities.

Air Charter, a subsidiary of Air France, will begin cargo flights between Paris and Taipei in September and passenger flights in November. Taiwan has not yet decided when and which airline will fly the route.

Taiwan has difficulty establishing air links with foreign countries because of political pressure from its rival China.

China, which has claimed sovereignty over the island since the end of the Chinese civil war in 1949, has sought to prevent other countries from expanding links with the island.

However, Taiwan's economic influence and growing overseas travel have won the island direct air links with several countries in recent years. It currently has direct links with six European countries, including Austria, Britain, Bulgaria, Germany, Luxembourg and the Netherlands. It also plans to begin flights to Russia this year.

Indonesians discuss US trade privilege threats

INDONESIAN economic and trade ministers met yesterday to discuss threats to trading privileges with the US following criticism of Jakarta's treatment of workers, **Reuter reports from Jakarta**.

"This is an old issue in bilateral trade with the US. We faced this issue in the previous cabinet and so far we have been able to settle it well," Mr Saleh Ariff, co-ordinating minister for economics, told reporters before the meeting.

"However, it [the criticism] is indeed getting sharper."

Washington has threatened to cut imports at preferential tax rates under the Generalised System of Preferences (GSP) if Indonesia does not improve labour practices.

The GSP was a concept developed within the Geneva-based UN Conference on Trade and Development – whereby temporary and non-reciprocal grants of preferences were awarded by developing countries to non-developed countries – to encourage the expansion of manufactured and semi-manufactured goods from developing countries by making goods more competitive through tariff preferences.

The US has given Indonesia until February to improve labour rights, including the right to organise freely.

Fourteen per cent of Indonesian exports to the US, worth $600m (£402.6m), qualified for tax concessions last year.

Mr Tungky Ariwibowo, the industry minister quoted by the official Antara news agency, said on Tuesday that Indonesia would strive to maintain the system. "We should solve the GSP facility problems as soon as possible."

> The US has given Indonesia until February to improve labour rights, including the right to organise

Washington criticised Indonesia for barring the country's largest independent trade union, the Indonesia Welfare Labour Union (SBSI), from holding its first congress late last month.

An Indonesian official said the government did not recognise the SBSI as a trade union because it did not represent workers and sought to divide the labour movement.

Indonesia has also come under increased US criticism on human rights. The US State Department cited human rights concerns last week when it blocked the sale to Indonesia of four ageing American-built F-5E fighter jets from Jordan.

Indonesian State Secretary Murdiono said on Tuesday the government would explain its position on human rights to Washington. "I hope the problem can be solved," he said.

Malaysia backs new national airline

MALAYSIA'S cabinet yesterday approved plans for a second national airline which will fly international routes, Transport Minister Ling Liong Sik said, **Reuter reports from Kuala Lumpur**.

A privately owned domestic airline, Pelangi Air, will be restructured with a fresh injection of capital – mostly from state companies – to set up the new airline, Mr Ling was quoted as saying by the official Bernama news agency.

Malaysian Airlines System (MAS), the state-owned national airline, will be part of the consortium that will capitalise and operate the new airline, he said.

State-owned Hicom, a holding company for several big state manufacturing concerns, will be the biggest investor, with a 40 per cent stake in the airline. Mr Ling did not give details about the equity shares for the other partners in the consortium.

Government officials have said previously that the new airline would mostly fly international routes, but would not compete directly with MAS.

● The Commonwealth Development Corporation, the UK's development finance institution, has obtained a loan of about Ecu200,000 (£151,500) from the EC as partial funding to enable John Laing International to carry out a feasibility study for the expansion of Noi Bai international airport, near Hanoi, Vietnam. The study is to cover the funding, design, construction and operation of a new terminal with an annual capacity of 5m passengers.

Decision on Trident contract was 'unsafe'

By Daniel Green

THE GOVERNMENT used "flawed and potentially unfair" methods to reach an "unsafe" decision last month to refit nuclear submarines in Devonport, Plymouth, rather than Rosyth, Scotland, a report by a parliamentary select committee said yesterday.

The work, worth between £3bn and £5bn over the next 20 years, was given to Devonport after a two-year struggle between the yards.

The report, from the cross-party committee chaired by Conservative MP Sir Nicholas Bonsor, said the government's claim that Devonport's bid to build new docks was £64m cheaper than Rosyth's was unsafe because it was less than the margin for error in the calculations.

"No commercial enterprise would rely solely on such a small marginal difference in estimated costs," it said.

It also criticised the elimination of competition in submarines at a time when the government was encouraging it in surface ship work.

The Ministry of Defence (MoD) should now publish details of how it evaluated "non-cost factors", it said.

The MoD responded yesterday by arguing that the savings that would arise from maintaining competition were much less than the £300m to be saved by giving the work to just one yard.

The ministry plans to produce more detailed figures and publish them in a formal written reply, probably before parliament is recalled after the summer recess in October.

At the time of the decision, the government softened the blow to Rosyth by promising it refitting work on surface ships.

But the report argued it was it was "essential that ministers should seek to enshrine their commitment to allocation of refits to Rosyth in some binding form."

Mr George Foulkes, Labour defence spokesman said he would be writing to Mr Malcolm Rifkind, secretary of state for defence, asking him to provide this guarantee.

But in his evidence to the committee last month, Mr Rifkind said a legally-binding contract covering warship refitting would not be suitable, because the future management of the dockyards would be decided in 1995 when current contracts with private sector managers expire .

The report called on the MoD to discuss with France and the US the possibility of mutual emergency support for each nation's nuclear submarines.

Until 1991, the MoD's plan was to proceed with a scheme to build a new dock at Rosyth for refitting the 16,000-ton Trident submarines.

Then Devonport submitted an unsolicited proposal to the MoD suggesting the upgrade of its existing docks as a cheaper alternative. The MoD then decided formally to invite both dockyards to make proposals for nuclear refitting work.

● The Defence Research Agency, the adviser to the Ministry of Defence, has taken a loss of £449m on property and other fixed assets as part of its transformation from government agency to a financially autonomous trading fund.

The transfer pushed the DRA into a loss for 1993 of £409.8m, compared with a profit of £48.4m in 1992. The loss came when management identified assets surplus to its needs and returned them to the MoD without a cash payment in return. It means that the agency starts its new life as a trading fund without many of the overheads it had as a government agency.

Recovery hopes hit by weak export demand

By Peter Marsh and Michael Cassell

HOPES of a strong manufacturing recovery have slipped back in several UK regions, according to a survey by the Confederation of British Industry which underlines fears that the economic upturn may be slowing.

While indicating that weak export demand from the rest of Europe is holding back growth, the survey published yesterday said order books in six out of the 11 regions had declined in the past quarter.

The report said the expected drop in export orders across the country had hit three regions especially hard which up to now had been leading the recovery – Yorkshire and Humberside, East Midlands and Wales.

Companies in three other regions – south-west and north-west England and Northern Ireland – also expect falls in export orders over the next four months.

The findings from the survey, conducted jointly with Business Strategies, an economics consultancy, were supported by views from senior UK business executives, who said the recovery was far from robust and might not be sustained in the second half of the year.

Mr Richard Freeman, chief economist at Imperial Chemical Industries, said demand in the industrialised world continued "very patchy", echoing the concerns in a wide-ranging warning on Tuesday by BOC Group, the industrial gases company.

Sir Anthony Gill, chairman and chief executive of engineering company Lucas Industries, was "cautious" about a UK recovery because encouraging signs of domestic growth had not been matched elsewhere in Europe.

The CBI/Business Strategies survey came out on the same day as the FT-SE 100 index of leading shares broke through 3,000 for the first time, mainly on the back of hopes of lower interest rates across Europe over the next few months.

The survey comes after strong manufacturing and export growth helped to lift the UK economy in the early part of the year. With consumer spending growing relatively slowly because of high personal debt, manufacturing is expected to be an important factor in any sustained upturn.

While the report said business optimism among manufacturers across the UK had strengthened in the past three months, only in Scotland was the rise in confidence greater than that seen in a similar survey in April.

● The government is today expected to announce the sixth consecutive fall in the monthly unemployment figures, with most city analysts predicting a fall of about 5,000, taking the fall since February to close to 90,000.

BCCI liquidators to pursue action against Bank of England

By Richard Donkin

TOUCHE Ross, the liquidators of the Bank of Credit and Commerce International, claims it has a mandate to pursue legal action against the Bank of England over its regulation of the fraudulent bank.

More than 5,000 depositors have agreed to assign claims worth £400m to the liquidators. In a letter to depositors, Touche Ross said this is more than the figure thought necessary to pursue the action.

The Bank of England has been granted an extension until September 1 to serve its defence of the action.

No payments can be made from the proposed compensation agreement until the civil court in Luxembourg reaches a decision on the deal. A decision is expected on October 27.

The compensation package worked out by the liquidators and the Abu Dhabi majority shareholders of BCCI has been opposed by a number of creditors. Many others, however, voted in favour of accepting the deal in which Abu Dhabi would contribute $1.7bn.

The delays meant that payments promised by Abu Dhabi of $800m in December 1992 and $500m in June this year, did not go ahead, because they were conditional upon the approval of the agreement in the UK, Luxembourg and the Cayman Islands, the three main centres of BCCI. The package has been approved in British and Cayman courts.

The liquidators have three main civil suits outstanding: against The Bank of England, The National Commercial Bank of Saudia Arabia, and Price Waterhouse and Ernst and Whinney – now Ernst and Young. Ernst and Whinney audited part of the bank until 1987.

The action against the Bank of England is unprecedented and may rest on the liquidator's ability to prove that the Bank was negligent in not acting earlier against BCCI.

Timex plans early closure of UK plant

TIMEX is planning to close its troubled printed circuit board plant in Dundee within weeks, several months earlier than expected, the US-owned electrical company said yesterday, writes Robert Taylor.

But the closure of the factory, after 47 years of operation, looks unlikely to end one of Britain's most bitter industrial disputes, as strike leaders vowed to step up a boycott of Timex products in continental Europe and North America.

Timex announced two months ago its intention to stop production in Dundee after workers rejected a peace formula to end the eight-month strike. The strike was called after workers were sacked for refusing to accept adverse changes to their terms and conditions of employment.

The strike was accompanied by violent scenes of mass picketing outside the plant.

Over the past four weeks, a union delegation has been travelling around the US, building support to confront Timex through a boycott of its products.

The AFL-CIO union federation in Washington is hoping the strike committee will be able to give evidence to a congressional committee on its experiences to support the striker replacement bill which US unions hope will be approved this autumn.

That measure is designed to make it unlawful for a US employer to fire all its workers if they go on strike.

Brewers fear retail beer wars

Supermarkets are using imports to cut prices, writes Philip Rawstorne

Britain's national brewers, whose profits are already under pressure from increasing competition in the pub trade, are now under attack from a new source.

Large retailers, who are selling imported continental European lagers at substantially lower prices, threaten one of the brewers' fastest-growing and most profitable markets.

Tesco, the supermarket group, led the way. It obtained supplies of Stella Artois, the Belgian beer, through Catteau, its French subsidiary, instead of Whitbread, which brews the lager under licence in the UK.

In a four-week promotion that has just ended, it offered a 24-pack of 25cl bottles for £9.99p – a discount of 25 per cent. "We sold more beer than we have ever sold on any previous promotion," says Mr David Wild, Tesco's commercial director responsible for drinks.

Whitbread has responded by offering Tesco Stella Artois in continental-style packaging. But Mr Wild says: "As yet, they can do so neither at a price that is attractive nor in the volume we want."

Tesco intends to repeat promotions of imported Stella Artois – and on Monday to begin a series of similar offerings of other popular continental lagers.

Sainsbury, now offering imported Stella at £9.95p a 24-pack, says it is considering obtaining other brands from the continent.

"The Tesco promotion represents the first skirmish in a take-home beer price war; the first move in a process which will permanently reduce the profitability of UK brewers," says Mr Graeme Eadie, analyst at NatWest Securities.

The creation of the European single market and increased cross-border trading started the process. Tesco says its decision to buy Stella through its French subsidiary was partly defensive. "We are very concerned about the effect on our business of the increase in personal allowances for cross-Channel shoppers, who can buy beer more cheaply because of lower rates of duty on the continent," says Mr Wild.

But tax is only one element – though the biggest – in the difference between the retail price of beer in the UK and on the continent.

Lower production costs, in raw materials and packaging as well as scale efficiencies, contribute to cheaper continental retail prices.

More importantly, lagers which are regarded and priced as standard products in the rest of Europe, are heavily marketed as premium products in the UK, with three times greater profit margins.

Having established the popularity of the brands, the UK brewers may increasingly fail to reap the rewards. Even with UK duty rates, retailers such as Tesco and Sainsbury can exploit the price advantages of cross-Channel supplies to under-cut normal UK prices while retaining a useful, if lower, profit margin.

"So long as price differences remain between the UK-brewed and continental-brewed versions of the same brand, no UK brewer can regard premium pricing as secure," says Mr Eadie.

Apart from Whitbread's Stella Artois, Courage's Holsten and Scottish & Newcastle's Beck's beers could be vulnerable if the present trickle of imports turns into a flood. The brewers' ability to combat such an influx appears limited.

Multiple grocers dominate the growing take-home market in which premium lager accounts for a third of sales. If brewers ignored a concerted price challenge in the sector, they would lose volume.

Yet reducing prices would have not only an immediate impact on profits but a knock-on effect on the whole pricing structure of the market.

If the brewers were unable to maintain the price level of premium lagers, the prices of standard lagers, such as Whitbread's Heineken, and Bass's Carling Black Label, would come under pressure.

Consumers must be smacking their lips in anticipation.

Discounted Stella Artois on sale in a London supermarket billed as a 'special continental purchase'

Britain in brief

Unions voice fears over EMU rules

The Trades Union Congress, the umbrella group for most UK unions, is calling for a "reassessment" of the convergence criteria for European Monetary Union and for the inclusion of targets on economic growth and unemployment levels.

In its submission to the European Commission policy document on employment, growth and competitiveness, the TUC also stresses that the free market policies adopted bu Britain and the US in the 1980's have failed to produce lasting competitiveness.

Although the TUC and the European TUC both still support the principle of EMU, there is some doubt at the TUC about when it can be implemented and which countries should qualify.

BBC staff reject pay offer

Several thousand journalists and technical staff at the BBC have voted to reject a 1.5 per cent pay offer, the National Union of Journalists and Bectu, the technicians union announced yesterday. Staff voted by 4,867 to 648 or 87.7 per cent against the deal in a postal ballot in which 41 per cent of those eligible voted.

Scottish bank to cut jobs

Clydesdale Bank, the Scottish subsidiary of National Australia Bank, disclosed it intends to cut 800 jobs by 1995. It will remove most processing work from its 350 branches, becoming the latest retail bank to announce large job cuts.

The transfer of cheque processing and telephone inquiries to three processing centres will eliminate 1,400 jobs, mainly from branches, but will create 600 posts at the centres. The bank employs about 7,500 people.

VW reduces car prices

Volkswagen, struggling to reverse weakening sales in the UK, is cutting list prices of its cars by an average of 4.1 per cent from September 1.

With the exception of diesel models, where prices will fall by up to 11 per cent, the amount paid by customers is likely to be virtually unchanged, however. This is because the reductions are being achieved mainly by a cut in dealers' profit margin from 15 per cent to 10 per cent, reducing dealers' scope to offer discounts.

Truck sales fall sharply

New commercial vehicle registrations fell by 10.8 per cent in July to 7,038, as the industry remains stubbornly in recession. Sales have been lower than a year ago in six of the past seven months.

New commercial vehicle sales in the first seven months of the year were 5.6 per cent lower than in the corresponding period a year ago, at 104,255, according to figures released by the Society of Motor Manufacturers and Traders.

The persistent decline has been caused in particular by the weak demand for light commercial vehicles.

Post Office attacks strike

The Royal Mail has denounced as "totally unnecessary" the increasingly damaging nine-day dispute by 900 postal staff in Cardiff over the introduction of a new shift system that has paralysed the letter service in south Wales. It called on the Union of Communication Workers to put a proposed peace formula to the strikers for their approval, so services would be restored to customers as soon as possible.

Record month for airports

BAA, the airports operator, had its busiest month ever in July, handling 8.3m passengers. The biggest growth was in long-haul traffic, up 7.6 per cent on July last year. Stansted saw the biggest growth of BAA's three London airports, handling 302,400 passengers, a rise of 12 per cent.

Policewomen to be armed

Policewomen are to be armed for the first time in Northern Ireland, Sir Hugh Annesley, the chief constable, said as "part of The Royal Ulster Constabulary's programme to ensure equal opportunity within the force."

Some state auditing to be opened to tendering

By John Authers and Andrew Jack

ACCOUNTANCY services for hospital trusts and local authorities are to be opened to competition next year in a market-testing exercise by the Audit Commission, the government body responsible for auditing the state-run health service and schools, and local councils.

The move was welcomed by large accountancy firms, many of which are anxious for new business.

Sir David Cooksey, chairman of the commission, which this year received gross fee income of £76.6m for auditing public bodies with a total turnover of around £85bn, will announce today that the commission's district audit service is to be made administratively separate. The commission will then work as a purchaser of services provided by the district audit service or outside accounting firms.

About 30 per cent of the commission's work is already shared between eight firms of private auditors. However, rival bids are assessed only on quality, and all firms are paid a uniform audit fee, making it "very difficult to pass on the benefits of competitive tendering", according to Sir David.

Under a pilot scheme due to start next year, 2 per cent of the commission's audit work will be awarded on the basis of price competition. The scheme will then be monitored for at least one year before deciding whether to extend it.

MANAGEMENT: MARKETING AND ADVERTISING

Going potty

Leading nappy makers are battling for supremacy with a product aimed at toddlers, writes Lucy Kellaway

It is not a pair of underpants. It is not a nappy. The disposable trainer pant is a crafty cross between the two. It is also very big business.

In the past few weeks the world's foremost nappy makers have converged on the UK in a battle for supremacy in this new market. Proctor and Gamble, Kimberly-Clark and Peaudouce are spending several million pounds apiece in an effort to become number one with the 800,000 British toddlers who are potty trained each year.

The disposable trainer pant is the result of years of research by teams of potty training experts. The parent is assured that there will be no messy accidents as the pants are as absorbent as nappies. The child can enjoy the independence of being able to pull the pants up and down. And the manufacturer can look forward to higher sales: the pants cost more than nappies, so that if they are used as substitutes sales increase, and if they are used instead of ordinary pants, sales go up further still.

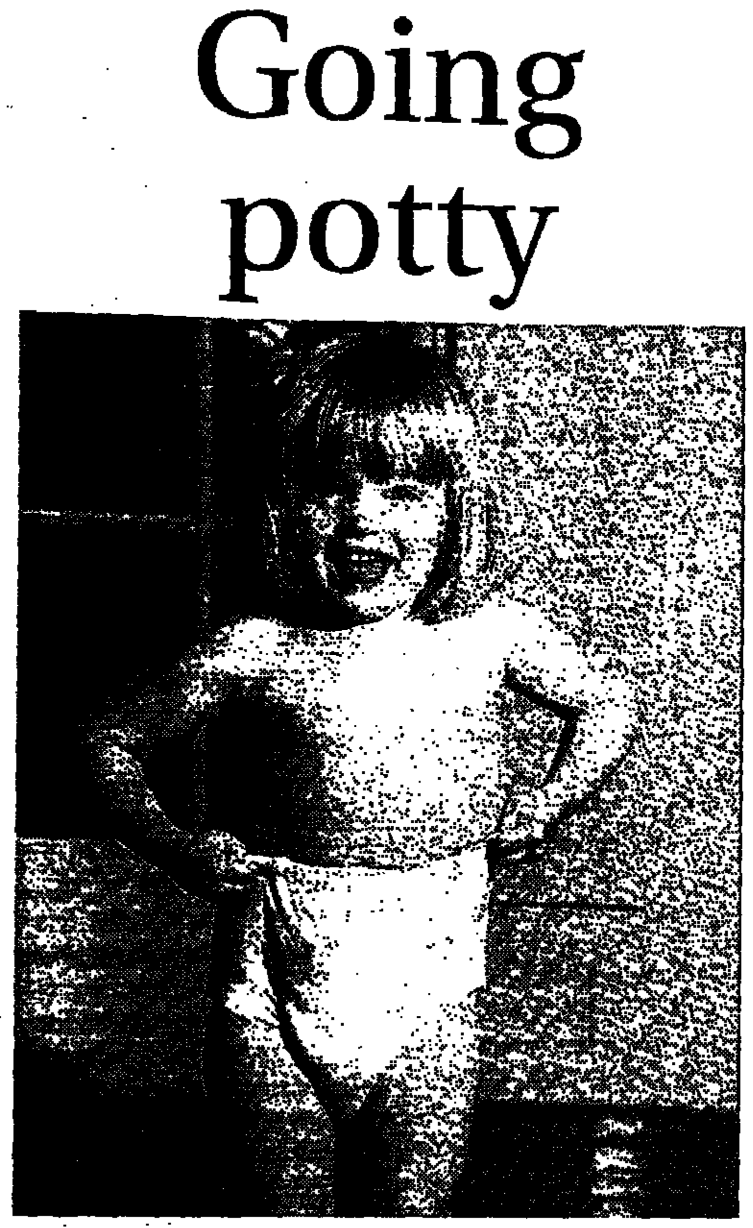
Parents in the US have been been buying these nappy hybrids for four years and now spend about $500m (£338m) a year on them. While there is little further growth in the US market, the potty training market in the UK has great potential. On some industry estimates it could be more than 10 per cent of the disposable nappy market, which last year was worth £420m.

The new product comes at a critical time for makers of disposable nappies. Sales have grown faster than almost any other consumer product in the past decade, but with about 9m nappies sold in Britain every day, the market is now saturated. Last year volumes grew by only 3 per cent and may soon start to decline as ecology minded parents reconsider whether terry nappies might not be better after all.

The disposable pant is the manufacturers latest attempt to fight back. For years they concentrated on making the product increasingly sophisticated, with different kinds for boys and girls, new slim-line versions and a proliferation of different sizes. With the trainer pant they are attempting to increase the total size of the market. The hope is that parents and children will like the pants so much that they will be in less of a hurry to move into real underpants.

To capture the market, each of the three players has produced a similar product, selling for a similar price, launched with a remarkably similar marketing campaign. Yet the position each starts from is markedly different.

Proctor and Gamble starts from a position of strength as its Pampers brand has about 70 per cent of the British disposable nappy market, giving the new Pampers Trainers a head start. Kimberly-Clark sells no nappies in the UK, although its Huggies Pull-Ups dominate the US market. Peaudouce, which is marketing under the Up and Go brand name, has neither advantage, but it is hoping to rely on a unique selling point of its product – an elasticated waistband.



Lydia van der Meer

Feeling pampered: Rosamond Goodhart enjoys the latest fashion in trainer pants

All three companies are concentrating on television advertising and on direct mail. Each has a database of parents with children of potty training age and has started bombarding them with potty training advice, samples and vouchers. Over the past few weeks the offerings from Pampers and Kimberly-Clark have gone out: both containing free samples and literature that makes one wonder how anyone ever managed to get their children out of nappies without the help of the disposable training pant.

Both come in different models for boys and girls: dinosaurs for boys and teddies for girls on Pampers Trainers and engines for boys and animals for girls on Huggies. The Pampers publicity pack includes a set of potty-training accessories: a sticker for the potty, a cute wall chart to mark achievements such as "I can poo in my potty", and little medals to be awarded for potty triumphs. It also includes a pamphlet written by a specialist giving advice on how best to potty train children.

Not to be outdone, Huggies promises a free potty training book with the first purchase. Peaudouce, which has been a little late off the mark, is planning a £3m campaign to launch Up and Go this autumn. This will concentrate on the fact that its nappies have an elasticated waistband, which apparently make them less likely to sag when full.

All products are roughly the same price (£7 for 25 pants, compared with £7 for about 40 nappies); Huggies and Up and Go come in various sizes, whereas Pampers Trainers are in just one size.

The battle is particularly intense as all three players know that there is unlikely to be room in the market for all of them. In the US the success of Kimberly-Clark has left no space for anyone else. The sheer bulk of the product means that supermarkets will not want to stock more than one of the brands. Retailers already have enough trouble displaying Pampers and own-brand nappies, as each comes in at least four different sizes and two sexes.

Other nappy manufacturers are looking on in amazement as the big three pour millions of pounds into the new market. Dave Hall, marketing manger at Swaddlers, which makes nappies under the Togs brand name, is sceptical about their chances of success. "Our market research suggests people perceive trainer pants as having a limited use. Parents who are potty training may just go for it and take nappies off totally," he says.

Careful trial marketing by Pampers and Peaudouce in the Netherlands and Ireland over the past few months suggests that parents in Europe will pay the extra for nappies that pull up and down. But whether they actually help potty train is a moot point.

The Japanese, who potty train their children earlier than their European and US counterparts, would not be too impressed by the new offerings. They have been selling disposable training pants for years, but theirs are specially designed so that the child is uncomfortable when wet, and is trained faster.

Children wearing the western version may be in them for years. But perhaps that is the general idea.

Bank embarks on a gilt-edged campaign

Sara Webb looks at attempts to attract retail and institutional investment in UK government bonds

Marketing is not among the Bank of England's traditional strengths, yet through force of circumstance it is having to learn this most central of commercial skills.

With the government's return to a hefty Public Sector Borrowing Requirement, the Bank has been forced to sell large amounts of UK government bonds, otherwise known as gilts. And while the Bank has sometimes in the past been less than thrilled to hear criticisms of the gilt market, the need to shift large volumes of stock in recent years has prompted the central bank to listen rather more carefully to outsiders' suggestions as to how the market could be improved.

"We do have a marketing strategy for gilts which is directed towards encouraging long-term interest among the widest possible range of investors in gilts," says Ian Plenderleith, the Bank's associate director with responsibility for markets.

Hence the steady campaign to promote gilts to retail and institutional investors, both UK and foreign. The Bank's marketing is described by some bond analysts as distinctly low-key, and in sharp contrast to the flamboyant marketing campaign seen across the Channel. The French government recently coaxed FFr110bn (£12.5bn) out of private investors with the launch of the so-called Balladur Bond, using a glitzy and aggressive marketing campaign in the media. The bonds can be held in tax-free savings schemes and will be convertible into privatisation shares, making them very attractive to retail investors.

The Bank has no intention of launching a comparable Major Bond or Eddie Bond (after the Bank's governor). Its own information campaign for private investors has been rather more subdued, consisting of a simple, clearly written booklet, provided free to the public. The Bank claims its booklet is doing well and that over 300,000 small investors have applied for their free copies.

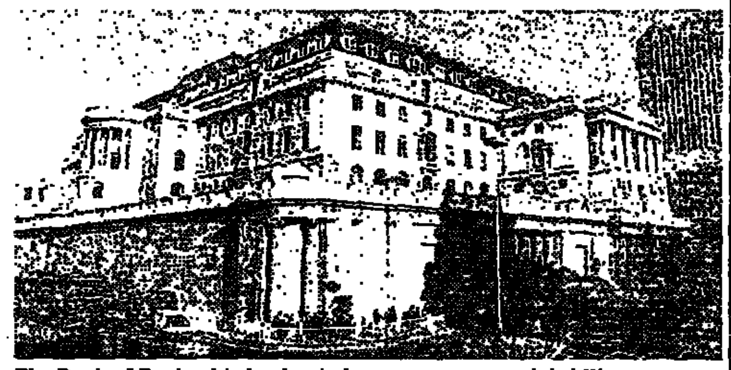
In addition, between 1,500 and 2,000 small investors now participate at the Bank's regular gilt auctions using the non-competitive bid system. Their total bids of around £10m are peanuts compared with the size of the auctions (often over £3bn) but the Bank appears pleased to have stimulated their interest.

Gilts are free of capital gains tax already, but one suggestion to attract more retail investors (especially those in the top tax band) has been to make the income tax-free too, possibly by allowing gilts to be held in special schemes similar to PEPs and TESSAs. As the government is currently looking at ways of cutting spending, however, it seems unlikely that such a tax-break will be introduced – at least in the foreseeable future.

For the big players in the gilt market – the institutional investors at home and overseas – the Bank has already won praise for the way in which it has resolutely improved the liquidity of particular benchmark issues. It regularly sounds out the close-knit fraternity of gilt-edged market-makers (GEMMs), and then sets out to meet those requests for improved liquidity.

The Bank has also moved to a monthly auction calendar – a change forced upon it by the sheer volume of stock which needed to be sold – which means GEMMs have a better idea of when new supply is likely to hit the market.

It has, however, proved harder for the GEMMs to coax the Bank into considering other improvements. For a couple of years, foreign investors have begged the Bank to let them settle gilt trades using the two international clearing systems, known as Cedel and Euroclear. At present, overseas investors have to settle gilts through the Bank's Central Gilts Office. While the service provided is very efficient, for the international investor who already holds and settles a wide range of European government bonds and eurobonds in Cedel or Euroclear it is far more convenient to have all their holdings handled under one roof.



The Bank of England is having to learn new commercial skills

The Bank has at last relented on this front, and Cedel, Euroclear and the CGO are sorting out computer links and administration to make this possible.

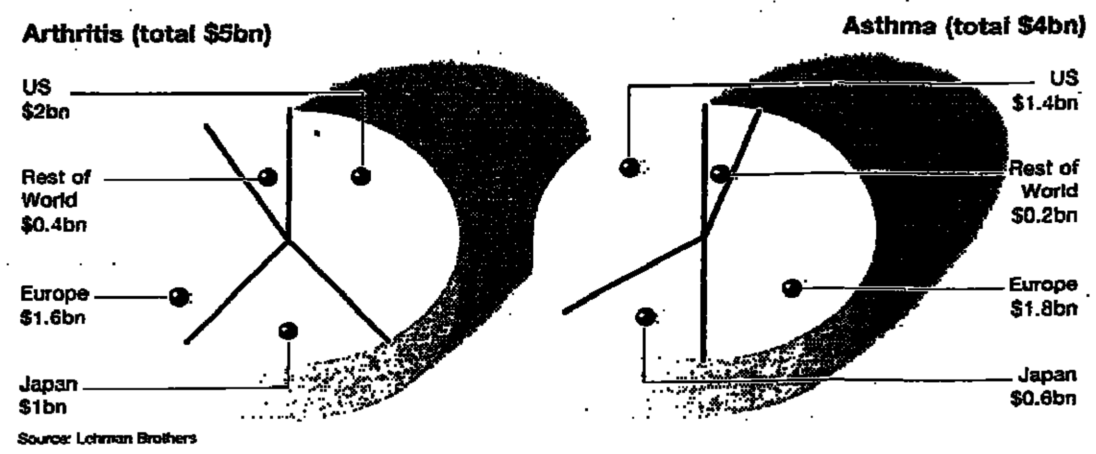
Despite the heavy burden of gilt issuance, the Bank has been successful at selling stock, to domestic institutions and to overseas investors. It has been helped by an economic climate conducive to investment in fixed income instruments: inflation has fallen, allowing interest rates to come down and prompting a rally in the gilt market which started in 1990. But the success is no reason for complacency: it is essential the Bank ensures that the products it sells, namely gilts, remain as attractive as possible to a range of investors, by being prepared to allow the evolution of the gilt market to continue.

TECHNOLOGY

Drugs stick to the cause

Victoria Griffith looks at recent advances in the fight against inflammation

World market for anti-inflammatory drugs 1991



Source: Lehman Brothers

New research into the process of inflammation over the past few years may soon give birth to a promising new family of drugs, remarkable in their ability to treat conditions as diverse as arthritis, cancer and the common cold.

Inflammation is such a common human affliction that it runs the risk of seeming unworthy of notice. The condition can be debilitating and sometimes even fatal. Crippling pain is associated with inflammation-linked diseases such as rheumatoid arthritis, asthma and Crohn's disease (inflammation of the colon), and the condition is often fatal in the case of trauma, organ transplant rejection and certain cardiovascular complications.

Considering the large number of diseases associated with swelling, current treatments seem hopelessly inadequate. "Treatments on the market now mainly attempt to deal with the pain, but not the cause," says Dale Cumming, a senior scientist at the biotechnology group Genetics Institute, and an inflammation researcher.

A better understanding of the process of inflammation over the past few years, though, has at least 27 pharmaceutical companies – including Merck, Wellcome, SmithKline and a host of biotechnology groups – racing to place a new family of drugs on the market. These new drugs would address the cause of the swelling, rather than the symptoms it produces.

Much of the research is still at an early stage, but a number of companies are about to launch clinical trials on the first compounds.

"The potential market for just one of these diseases – arthritis – is in the billions of dollars each year," says Roy Lobb, director of biological research for the bio-technology group Biogen, which is developing its own anti-inflammatory drugs. "So you can imagine how large the total market is for all the diseases related to inflammation."

Inflammation results from the over-stimulation of the immune system. Under normal conditions, when a bacterial infection is present in the body, white blood cells race to do battle in the affected site. Inflammation occurs when the white blood cells get out of control.

In some cases, such as trauma, the danger of infection may be very real, but the immune system has over-reacted. In others, such as arthritis, no infection is present: the white blood cells simply "misread" the body's chemical signals and wreak their havoc.

Just a few years ago, scientists began to understand the importance of "cell adhesion molecules" in the process of inflammation. When a bacterial infection invades the body, certain chemical signals are picked up by the endothelial cells lining the blood vessels and the white blood cells present in the blood.

Linked to these cells are a group of adhesion molecules – the same sort of sticky substances which hold the human body together – which react to the chemical messages. While dormant, these molecules have no impact, but when turned on they cause the white blood cells to adhere to the endothelial cells. Once they have stuck, they begin a process known as "migration": they crawl out of the blood stream and toward the infected area.

Cell adhesion molecules located on the endothelial cells are referred to as "selectins", while those on the white blood cells are referred to mainly as "integrins".

"I think of the selectins as one half of a velcro strip, and integrins as the other," says Daniel Witt, vice-president of technology acquisition for the biotechnology group Repligen. "When they are both attached to each other, they stick tight. Then, the white blood cells move with octopus-like suction cups to the site of infection."

If either the integrins or selectins fail to be activated, the white blood cells are unable to stick, and inflammation is avoided. This is the aim of the new anti-inflammatory drug candidates, dubbed "cell adhesion molecule inhibitors".

One of the surprising findings of the past few years is that these new drugs may address diseases not strictly associated with inflammation. Cancer, for instance, probably uses cell adhesion molecules to spread through the body.

"There is a great deal of evidence linking this sort of process to the migration of cancer cells from a tumour to other parts of the body," says Hubert Shoemaker, chairman of Centocor, a biotechnology group studying inflammation.

The problem with cell adhesion inhibitors is they run the risk of shutting down the body's immune system. "What's driving research now is the challenge of addressing inflammation while avoiding total blockage of the body's immunological response capabilities," says James Paulson, vice-president in charge of research and development at drug group Cytel.

The gravity of such a shut-down is driven home by the recent discovery of rare illnesses involving the inactivity of integrins and selectins. Leucocyte adhesion deficiency (LADI) is a serious illness affecting patients who lack sufficient integrins on their white blood cells to fight off infections. They usually succumb to a number of illnesses, and sometimes die, at an early age.

An even more recently uncovered illness, LADII, involves a selectin deficiency. While these patients have a weakened immune response system, they are still capable of warding off many illnesses.

The dichotomy between these two diseases has led some researchers to theorise that selectins grip less tightly than integrins. "If this is true, then it makes sense to target selectins rather than integrins as a way of diminishing but not completely shutting down the immune system," says Paulson.

Another possibility may be to target certain types of integrins only. Neutrophils, for instance, are short-lived white blood cells. "If we only target the integrins on the neutrophils, which last only eight to 12 hours in the body, we would have a short-lived, and therefore a more controllable, impact on the immune system," said Witt.

Because of the different immunological issues involved, it is unlikely that companies will come up with a single generic pill to treat all illnesses involving inflammation. But there is likely to be a great deal of cross-over between research on the diseases involved.

While the new family of inflammation drugs are unlikely to provide miraculous cures, they do hold a new promise for patients suffering from a wide range of illnesses. After years of inadequate treatments, these patients may finally be offered a viable alternative to today's treatments.

Phones ring higher

Andrew Adonis and **Daniel Green** report on the take-off of in-flight satellite communications

The mobile telephone, indispensable tool of business life or scourge of privacy, is about to take to Europe's air routes.

Air-to-ground telephones, using 1980s analogue technology, have been available on aircraft in the US for a decade, but now a new range of digital systems that improve reception and keeps costs low is being marketed in Europe and the US.

Airlines are always looking for new ways with which to distinguish themselves from their competitors. Telephones have long been of interest because, unlike frequent flyer programmes and seat-back televisions, they can generate revenue for the airline directly as passengers pay for their calls.

Most big airlines have already experimented with satellite telephones. The trials were, at best, a partial success because sound quality is variable and the cost of the equipment and satellite time means the charge to passengers is an uncomfortable $10 (£7) a minute.

Some airlines are, nevertheless, going ahead with full-scale services, especially where flights are across oceans or polar regions where no ground-based system is ever likely to be established.

Air France, for example, has satellite telephones on its Paris-Tokyo flights and has an average of 15 short telephone calls on each trip. Singapore Airlines is in the process of installing satellite telephones in all its aircraft.

On the other hand, British Airways decided it would wait until the next generation of technology arrived. But the waiting may almost be over. Next month Air France begins trials of a new system for flights within Europe that will be shared with BA and SAS.

Ground stations are being built by French electronics company Alcatel at Paris and Lyons in France, Malmo in Sweden, Milan in Italy and London and Glasgow in the UK.

The airlines have yet to decide which telecommunications company will supply the service. One candidate is a US company, In-Flight Phone International (IFPI). Last month it demonstrated its wares in Europe, announcing a deal with Mercury, the UK operation of Cable and Wireless, and it is constructing networks in Greenland, Iceland and the United Arab Emirates.

IFPI has already built a system for USAir, one of the biggest domestic carriers in the US in which BA has a large stake.

The Mercury/IFPI service will use more than 60 terrestrial base stations to provide a pan-European digital phone service for upwards of £2 a minute for international calls.

British Telecom is launching a rival digital service – called Jetphone – with France Telecom in the autumn. BT already offers a digital satellite Skyphone service; its terrestrial service will operate to the same draft pan-European standards as Mercury's, on frequencies in the 1800 MHz band.

The two rivals are even likely to use many of the same base stations, operated by the state monopoly in countries which do not permit competition in voice telephony.

Whoever wins contracts with the airlines will be offering more than simple telephone calls. The new equipment will allow services such as fax machines, in-flight shopping and even videos and computer games controlled from a keypad.

USAir and an even larger US carrier, United Airlines, are already equipping their fleets with systems that allow passengers to make calls and transmit computer data to the ground. Both also allow passengers to be contacted in the air by paging.

GTE, the largest local network operator in the US, is providing the system for United Airlines. Its GenStar system will use 109 terrestrial base stations to provide a telephone service over the US at $2 a minute, plus a $2 set-up fee. In alliance with Comsat, the US satellite agency, it will provide a satellite service at $8 a minute (plus an $8 set-up fee) for calls made beyond the reach of the base stations.

Using seat-back screens or liquid crystal displays, GenStar will also provide passengers with multi-language video, video-games, entertainment channels and flight information.

Although telecoms services will be billed direct to passengers through credit cards, some airlines may want to pay for many of the value-added services especially for first and business-class passengers.

The upfront cost of providing these services is heavy. Air France plans to re-quip its entire European short-haul fleet of more than 50 aircraft with the new air-to-ground telephones. The work will cost $200,000 (£135,000) per aircraft but will be worth it, says Marc Dubois, Air France brand manager in charge of the telephones project.

"On short flights we must offer the chance of a call to everyone," he says. "We expect to offer at least one handset per three passengers and would prefer to have one handset per seat because of the short flights."

Air France hopes the pan-European network it plans to build with BA and SAS will start operating next year.

For electronics companies, such plans could prove lucrative.

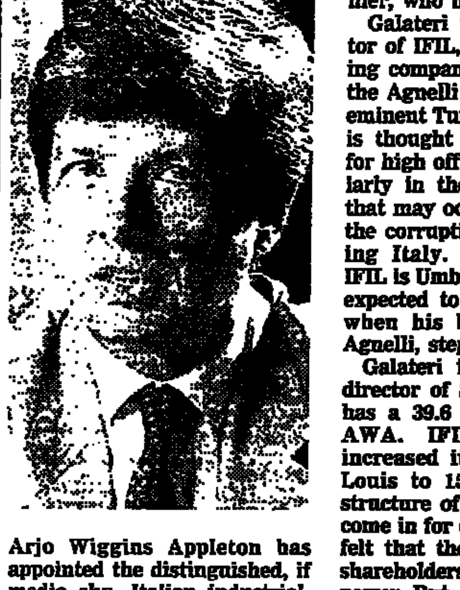
The market for the long-haul satellite linking equipment appears to have potential for sales approaching £700m by the middle of the next decade.

According to Ron Keens, managing director of Racal Avionics, some 5,000 avionic communication systems will have been installed by the year 2005, linking wide-bodied aircraft and business jets via the Inmarsat satellite to the ground.

Looking at the long-haul satellite-based market, Racal appears to have a six-month lead on the only other competitor, Rockwell Collins of the US. Keens expects Racal to take about 60 per cent of the market and achieve sales of about £350m by the year 2005.

CONTRACTS & TENDERS

PEOPLE



Arjo Wiggins Appleton has appointed the distinguished, if media shy, Italian industrialist Gabriele Galateri to its board as a non-executive director, replacing Pierre Dufournier, who has retired.

Galateri is managing director of IFIL, a diversified holding company which is part of the Agnelli group. Scion of an eminent Turin family, Galateri is thought to be marked out for high office at Fiat, particularly in the light of changes that may occur in the wake of the corruption scandal sweeping Italy. The chairman of IFIL is Umberto Agnelli who is expected to take over at Fiat when his brother, Giovanni Agnelli, steps down next year.

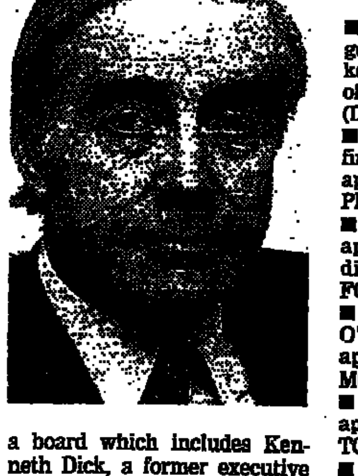
Galateri is a non-executive director of Saint-Louis, which has a 39.6 per cent stake in AWA. IFIL has recently increased its stake in Saint-Louis to 15.6 per cent. The structure of AWA's board has come in for criticism, as it was felt that the minority French shareholders wielded excessive power. But AWA took steps to redress the balance earlier this year, with the appointment of two British non-executives.

Tiphook passes extra load to Hambro

Rupert Hambro, 50, managing director of the J O Hambro merchant banking boutique, is to take a bigger role in the affairs of Tiphook, the troubled container leasing group. Hambro has been a non-executive director since September 1990 and the annual report, coming out later this month, is expected to reveal he is stepping up to be one of the company's two deputy chairmen.

Tiphook, which was founded in 1978 by its executive chairman Robert Montague, has grown into the world's second biggest container leasing company. However, there has been growing concern about its accounting policies and the high salaries it has paid some of its executives. City concerns came to a head last month when the company reported a pre-tax loss of £21.8m, much worse than early expectations.

The appointment of Hambro, who is a non-executive director of several companies ranging from Anglo-American Corporation to the Daily Telegraph, is part of an effort to restore Tiphook's credibility. Tiphook already has one a deputy chairman, Eric Goodwin, and it is understood that he will remain an executive deputy chairman whereas Hambro will be a non-executive. Hambro's promotion means that he will be the senior non-executive figure on a board which includes Kenneth Dick, a former executive chairman of Mitchell Cotts, who is over 80.



Although investors will welcome Hambro's decision to play a bigger role in Tiphook's affairs, there was some concern at the continuing unconventional way in which information about Tiphook seems to emerge through leaks to the press. Many UK fund managers have sold their shares to US investors and given the size of the US interest in the firm, one analyst ventured that it might have been better to bring an American onto the board.

Talking emerging markets before trend set in

Arnab Banerji, joint head of emerging markets at Citibank Global Asset Management, is moving to Foreign & Colonial as chief investment officer of the new F & C Emerging Markets.

Currently one of the trendier byways of fund management, emerging markets also represent a return to basics for F & C, which was founded in 1868, with its first portfolio full of the likes of Egyptian railway loans and Peruvian 5 per cent bonds. Last month F & C set up a new subsidiary, doubling ts stake in Latin American Securities, a company founded in 1987 by Audley Twiston Davies, and combining that with its existing south-east Asia team to form a group managing $1.5bn in funds.

Banerji, who moved from India to Britain at the age of three, says that he has been "talking about emerging markets since 1984 when it was thoroughly unfashionable". He is now moving to F & C because it is " a pure investment house, where my remuneration is tied directly to the performance of the funds and where I can concentrate solely on emerging markets, which is what I love."

Citibank, where Banerji put together a global emerging markets team, currently has some $3bn under management in this sector. Since joining the fund management side in 1990, he has been involved in the launch of a number of funds including Latin American Horizons, targeted at clients of Citi's private bank. More recently, 37-year-old Banerji has concentrated on institutional investors, bringing in some $200m on a segregated or pooled basis, from clients including KLM and Royal Dutch Shell.

Trained as an eye surgeon before a car accident cut short his medical career, Banerji started in the City as a fund manager for Schroders. In 1986 he moved to Nomura, where he was deputy head of research, specialising in healthcare and chemical stocks. Three years later he moved to Citicorp Scrimgeour Vickers as head of equity research.

■ **Walter Bailey**, formerly general manager, sales & marketing, has been appointed md of the Dubai Cable Company (DUCAB), part of BICC Cables.

■ **Suzanne King**, previously financial controller, has been appointed finance director of Philbeach Events, part of P&O.

■ **Colin Young** has been appointed milk procurement director for AVONMORE FOODS.

■ **Richard Pears**, md of More O'Ferrall Adshel, has been appointed to the board of MORE O'FERRALL.

■ **Duncan Syers** has been appointed finance director of TOWN CENTRE SECURITIES.

■ **David Deller**, a main board director of FERGUSON INTERNATIONAL HOLDINGS, is also appointed md of its newly created labels division on the resignation of Anthony Hall; David Dry is appointed joint md of FIH's Atlas House subsidiary on the retirement of John Pauley.

■ **John Carrington**, director of mobile who joined CABLE & WIRELESS as founding md of Mercury Personal Communications, has been appointed director of regional businesses; he replaces Tom Chellew who is retiring. Graham Oldreive, formerly chief executive in the Philippines, has been appointed regional director, Asia Pacific; he succeeds Peter Jackson who has been appointed ceo of AsiaSat. Brian Bosher, director of project management in C&W's business networks division, takes over from Oldreive.

■ **Lee Christenson**, formerly area operations manager in Los Angeles, has been appointed director UK operations at HERTZ UK.

■ **Jonathan Smith**, merchandise director of KWIK SAVE, is being seconded for three years to Hong Kong as chief executive of the Wellcome Company, a subsidiary of Kwik Save's parent, DAIRY FARM INTERNATIONAL.

■ **Ian Alexander**, personnel director, and Luke Mayhew, director of research and expansion, have been appointed to the JOHN LEWIS board; Jean Quinn and Leslie Fletcher have retired.

■ **Gerry Lumb**, md of SIRDAR, has been elected chairman.

■ **Mike Schofield**, formerly md of the European security division of WILLIAMS HOLDINGS, has been appointed md of Kidde Thorn Fire Protection, a Williams subsidiary.

Cinema/Nigel Andrews

Shades of blue, pink and yellow

This is not a review; it is a sneak preview. A month hence Derek Jarman's new film *Blue* should reach public screens and before that you may catch it at the Edinburgh Film Festival (one performance only, August 22). But unlike *Jurassic Park* or *Last Action Hero*, it will not explode on every doorstep in the glory of Hollywood Hyperama. Nor will there be a movie tie-in industry of *Blue* hamburgers, T-shirts and model dinosaurs.

Indeed there is scarcely, in the normal sense of the word, a movie. *Blue* is 76 minutes of the title colour, projected without change or inflection beyond the blips and scratches on the celluloid itself. While the soundtrack blends voices, music and sound effects, the screen just sits there being blue. While actors recite Jarman's scripted thoughts, and everything from sea noises to babbling crowds and heart-thumps mix with the verbal musings on life and death, art and Aids, beauty and pain, the sole balm for the eyes is that single-colour rectangle. It flickers like a midnight-blue heart monitor that has lost its pulse line.

You may already be reaching for your desk diary to pencil in "Avoid *Blue* on every available date." Deny yourself that self-denial. Would you believe that I sat there in a large North London cinema last week with an invited audience of 30 in pin-drop awe and silence? Or that *Blue* is not the Emperor's new clothes but the Artist's coat of many colours transformed – concentrated? distilled? – to a blue thought (the film) in a blue shade (the cinema)?

Blue is about failing sight, and intensifying vision. Jarman himself, long an HIV victim, has deteriorating eyesight along with the other hundred horrors freely available to Aids sufferers. He details these – wryly, stoically – through the voice-overs in *Blue*. But instead of being a condemned man's litany of last thoughts, the film uses despair as a slipway to hope and strength and even to a defiant delight. The more insufferably singular is that "patch of blue" (Wilde's prison-cell view made movie image), the more overpoweringly plural are the flickers of thought, sensation and insight that it provokes.

BLUE **Derek Jarman**
MADE IN AMERICA (12) **Richard Benjamin**
APRES L'AMOUR (15) **Diane Kurys**
A FAR OFF PLACE (PG) **Mikael Salomon**
CHAMPIONS (PG) **Stephen Herek**

The film, it could be said, uses an age-old hypnotist's trick. Show your patients the right kind of rhythmic nothingness – a swinging watch, a swaying light, a single flickering colour – and they will slip into a high-productivity coma. By lunchtime they will have remembered their whole past and possibly been programmed for a saner future.

Blue, though, is more than trickery, though it is never less than hypnotic. It gives you the freedom to flee if you wish. (Jarman's catalogue of hospital experiences alone may have you reaching for the mental opt-out switch.) But finally you do not want to escape. The soundtrack is too rich, too astonishing: with Jarman's words etching life out of death while Simon Fisher Turner's music works its eerie, elemental magic. And the imagery – that pool of colour that beckons and absorbs your attention and then returns it re-baptised, re-sensitised – is too pliant, too precious to be resisted by any filmgoer brought up on the rude, unchanging colours of commercial cinema.

★

Oh dear and here they are. Sentimental pink for *Après L'Amour*. Throw-up yellow for *Made In America*. Re-issue rust colour for *In Cold Blood*. And plasticky rainbow hues for two production-slate fillers from Disney.

Après L'Amour and *Made In America* are interchangeable tales of modern womanhood. Whoopi Goldberg in the first has a child but no mate/husband/breadwinner: above all, no papa for her paternally challenged, sperm-bank-conceived daughter Nia Long. Isabelle Huppert in the French film has enough men to fill to flood-alert level the average sperm bank but – yes, you guess correctly – no children.

Movie folk should get together to solve each other's problems on an exchange basis. In America Mlle Huppert would find a fulfilling, not to say asphyxiating degree of motherly fulfilment in Miss Goldberg's homey-folksy milieu: a San Francisco of brittle marriages but teeming wombs, where pinbright teenagers dash about the land searching for missing parents. In *Made In America* the supposed father of Goldberg's daughter is revealed to be Ted Danson: white (bad), male (worse) and a car salesman (unspeakable). Soon, though, young Nia is adoring him and so is the initially hostile Whoopi. By curtain-time – but in the long afternoons of the silly season how long that is in coming – everyone is looking dewy-eyed at everyone else.

Seeking men, a lonely Whoopi could have gone to France to rent the flat of Isabelle (*Après L'Amour*) Huppert. Here the door is almost off its hinges with the to-ing and fro-ing of lovers: chiefly, tired but handsome architect Bernard Giradeau and puppyish-pretty singer-composer Hippolyte Girardot.

La Huppert tries to keep both these relationships going, but you know how it is. Each man is married; each has a mortgage and children; and when the crunch comes, it is always "Ma chérie, ce n'est pas pour toujours." Plus which, the heroine herself silently longs for offspring.

Huppert was last seen by us in *Madame Bovary*. She is still wearing Emma's look of pale anomie, as of one struck by Life while crossing its busy road without looking. But where Flaubert supplied his heroine with a good script, writer-director Diane Kurys (*Coup De Foudre*, *A Man In Love*) can only ring dwindling changes on a soap-operatic plot of musical beds and frustrated motherhood.

Sentimental pink: Hippolyte Giradot and Isabelle Huppert in 'Après L'Amour'

A Far Off Place and *Champions* are two lost-looking Disney films. The first answers a question we might have spent our whole lives not pondering. What would we do if we had to cross the Kalahari on foot, with no provisions of food or water and 1000 miles to cover to the nearest town?

Young Reese Witherspoon, freshly-orphaned daughter of two white South Africans killed by ivory poachers, must do this. For company she has only two young friends – a white boy (Ethan Randall) and a Bushman (Sarel Bok) – and soon the usual things that happen in deserts are happening. Mirages, sandstorms, miraculous stumblings upon water and a Central Casting villain (Jack Thompson) shooting at them from a helicopter.

Laurens van der Post wrote the two original stories on which the film is based and noted ex-cameraman Mikael Salomon (*Backdraft*, *Far And Away*) directed. But it all resembles "Walkabout 2: The Plot Runs Out Of Ideas." We sense neither the miles nor the days. We feel neither thirst nor hunger. We marvel only at the leisure-time the characters have in which to play games, to fall in love, to tell stories and even – surely a first? – to make blouses from springbok hide.

Champions was called *The Mighty Ducks* in America and made a small fortune. Crossing the ocean, it has lost its original title and failed to find a visa for its original charm. Who in England will jump about at the story of a little-league ice hockey team managed by a burnt-out veteran (Emilio Estevez, all of 30) who wants to redeem his long-ago failures as a player?

Director Stephen Herek directs early scenes with the visual snap and off-wall wit he brought to *Bill And Ted's Excellent Adventure*. But once the games start, the fun stops. Don't we just know – can we even doubt – that these Minneapolis youngsters will go all the way to a tear-filled finale when the rank outsiders (they) will beat the glowering, macho favourites: twice their size, dressed in black and all but accompanied by Spaghetti Western villain music.

Like a cooling ice-block to the head, you can always apply Richard Brooks's *In Cold Blood* to your brain. The 1967 true-life murder story returns to the ICA, still chilling in its black-and-white docu-drama immediacy if still a touch browbeating in its late-on liberal message-mongering.

Alastair Muir

Robin Soans and Debra Gillett

Theatre/Malcolm Rutherford

The Country Wife

When the musical *Lust* opened at the Haymarket in London last month I thought it was great fun. Others scorned it because they thought it was a travesty of the Restoration Comedy on which it was based. Now, we have something very close to the original in the Royal Shakespeare Company's production of *The Country Wife* at the Swan Theatre in Stratford. It is quite possible to like both.

William Wycherley's play is not exactly a masterpiece. It lacks the style and situations of the best of Congreve and Sheridan. One of its best scenes – the dictating of a letter to an errant wife – is pinched straight from Molière. Under Max Stafford-Clark's direction, it is not hilariously funny. Yet it has enough good parts to make it a joy to watch.

Stafford-Clark plays up the darker side, and who is to say he is wrong when the piece contains so many cruelties and deceptions? The foppish Mr Sparkish, played by Simon Dormandy, spits viciously on Alithea when he realises she is not going to marry him. Robin Soans's Pinchwife not only locks up his wife in her room, he inflicts physical torture by twisting her arm behind her back.

To dwell on those aspects alone, however, would be to under-estimate the production. There are moments when both Sparkish and Pinchwife demand sympathy. Sparkish seems genuinely hurt at the end and there are times when one can understand Pinchwife's feelings of jealousy. He may be a hypocrite and a bully but that does not mean he is wholly insensitive. He can just about cry with sorrow as well as rage. The performances by Dormandy and Soans are first-rate.

Comedy, of course, is there as well; it comes primarily from Debra Gillett, as Margery Pinchwife. Ms Gillett is a real country girl, just as she is intended to be. She speaks slowly and slightly liltingly. Quite often you can see a thought coming into her head before she can find words to express it. When she has an idea she sticks to it. As a country wife, she has no sense of inferiority but rather of opportunities opening up and it is an interesting reflection on the play that no-one laughs at her for being rustic. Even her primitive hair-style goes unremarked. By the second act, Ms Gillett is in full command of the show: she does, after all, play the title role.

Where the production is on weaker ground is in the performances of most of the other women. This is not the fault of the actresses but must be a deliberate part of the direction. The Fidget ladies and Mrs Squeamish do not look like women whom anyone would want to seduce. Perhaps that is the point: it is the women who throw themselves at the men. But it would be fairer to allow them to be a bit little more attractive and distinctive. Towards the end, three of them speak almost in chorus like a parody of the witches in *Macbeth*. They also drink heavily.

The brilliance of the musical *Lust* was to elevate Horner, the man who pretends to have lost his virility in order to gain more access to other men's wives. Horner is the star part. In *The Country Wife* he is merely one character among many. That may be strictly as it should be but it plays down a very good joke. Jeremy Northam, who plays Horner, must cast his eyes longingly on what is going on at the Haymarket. The same goes for Daniel York, as the quack doctor, which in Stratford is not quite the part that it could be. The most dashing man is Jonathan Phillips as Mr Harcourt, hardly the central character. Maybe he should switch to Horner.

The production introduces a few songs of its own, which do not materially affect the play either way, though it's always good to hear the musicians up in the Swan balcony.

In repertory at The Swan Theatre, Stratford-upon-Avon

Successful music in Montpellier

Ronald Crichton finds that the concert performance of Reyer's opera 'Sigurd' provided the climax to the Radio France Festival

Each summer Radio France alights in Montpellier with an array of musical offerings to enhance the already well-stocked musical programme of this city – ancient, handsome and thriving, so successfully blending old and new. Unlike some British towns which are forced to house the arts, in or out of festival time, in unsuitable buildings, Montpellier is well furnished. Tucked away in the Corum, a modern complex built partly on a slope and consisting largely of different levels with wide foyers faced and floored with pink granite, connecting escalators and staircases, is the two-seasons-old opera house, the Salle Berlioz. Large, friendly, relaxing, it is used for concerts as well as opera. There is a smaller theatre, the old Comédie, proudly sited at the end of a wide boulevard.

This year Radio France brought enough material for 20 broadcasts spread over five weeks. Concerts included a cycle of Beethoven piano concertos with Brendel and the Academy of St Martin in the Fields under Marriner. Among the less familiar things I caught a strange concert given in the Cour Jacques Coeur, a useful open-air space behind the prestigious Musée Fabre. Strange, because the two organisations which joined forces to give it, the Montpellier-Moscow Soloists and the New European Strings, both anxious to widen their repertories, chose two works either one of which might have added the spice of novelty but together made an unenlivening evening. Not the fault of the sound, well founded string playing, quite free of the wispy undernourished scrape often associated with string tone in the open air. Bernstein's *Serenade* is a series of platonic dialogues for solo violin, strings and percussion based on the *Symposium*. The five movements, worked with Bernstein's usual skill, cannot, for all their eclectic pleasantries, fail to remind one that after-dinner speeches are usually too many and too long. Dmitry Sitkovetsky was the soloist, Leo Winland conducted.

After the interval Sitkovetsky reappeared as conductor, to introduce the *Carmen Suite* for strings and percussion by Rodian Shchedrin, composer of the ballet *The little humpbacked horse*. The *Carmen Suite* is also a ballet, written for the dancer Maya Plisetskaya, whose formidable technique and flamboyant personality may well have distracted attention from the tiresome tweakings and reshufflings of Bizet's tunes strung out in 13 movements, and from the banal percussion writing.

Operas this year included an open-air staging of Morlacchi's *Barber of Seville* and several concert performances, among them *Rienzi*, Strauss's *Daphne*, Puccini's *Le villi* and, as a climax in the last week, Reyer's *Sigurd*. The last-named will be repeated during the coming season, not in concert but staged, with a partly different cast. Heralded by broadcasts and a good recording under Rosenthal, *Sigurd's* time seems to have come again. By now the old, misleading label "Frenchified Wagner" stuck on during the years of neglect that succeeded initial, prolonged success, must surely have been replaced. And neglect was never total: as record collectors know, the main soprano and tenor arias turn up again and again. As for the Wagner question, Reyer's librettists, who started first, worked from a different version of the Scandinavian legends drawn on by Wagner for *The Ring*. The main musical influence is not Wagner but Berlioz, of whom Reyer was a loyal disciple and friend.

One notable feature of *Sigurd* is the amount of magic spectacle, recalling the palmy day of Lully and Quinault. The spectacular element can easily be overlooked in a concert performance. Librettos were available but with house lights too low for easy reading. I wonder how many of the large audience learned about the three Norns, not singers, but dancers, transformed into swans to draw in a crystal skiff the hero Sigurd and Odin's daughter Brunehild (whom he has awakened from magic sleep) all the way from Iceland to Worms on the Rhine, where she will wed Gunther, King of the Burgundians. A dancing throng of elves, pixies and kobolds bids them farewell.

The conductor, Günter Neuhold from Karlsruhe, replaced the deceased Gianfranco Masini. Reyer's first act is leisurely, in need of firmer propulsion. Indeed the whole opera needed an extra dose of conviction – this will no doubt come with the staging later on. Meanwhile Neuhold and the Montpellier Philharmonic showed how much delightful, romantic orchestral writing there is in *Sigurd* The title-role was sung by Chris Merrit. The readiness and address with which this artist undertakes one after another of the great 19th century tenor roles compels admiration. On this occasion, alas, the top of the voice was not obedient and the steadiness demanded by Sigurd's clarion phrases was not always forthcoming. Lower down the stave one could hear how well Merritt understands the style. The much-praised Valérie Millot sang Brunehild. She has a lovely presence and a lovely, lyrical voice without, so far, the declamatory grandeur of, say, a Lubin or a Crespin. Deeper experience of the role will surely bring what was lacking.

The most polished singing came from the baritone Monte Pederson as Gunther – every word clear, shaming some of Reyer's compatriots. As his sister Hilda (confusing name for the character we know better as Gutrune), Michèle Lagrange was warmly sympathetic. As Hilda's witch-like mother Uta, Hélène Jossoud produced pinched, ugly tone with no understandable words. Marcel Vanaud and Alain Vernhes sang the Priest of Odin and Hagen. As the Bard, Woytek Smilek made the most of his single scene. The combined choruses of the Montpellier Opéra and the Opéras du Rhin made a hearteningly sonorous contribution to an evening for which, in spite of weaknesses here and there, one was grateful. Radio 3 will broadcast this *Sigurd* during the coming autumn.

INTERNATIONAL

ARTS GUIDE

■ BREGENZ

David Pountney's spectacular floating-stage production of Nabucco, designed by Stefanos Lazaridis, continues with changing casts till Aug 22. The closing concert on Aug 23 features the Moscow Radio Symphony Orchestra (05574-4920 224)

■ EDINBURGH

CONCERTS

The official festival opens on Sun with a programme of Janacek and Schubert, featuring the Royal Scottish National Orchestra and Edinburgh Festival Chorus conducted by Walter Weller. In the opening week, the London Philharmonic gives concerts under Tennstedt and Welser-Möst, and there are recitals by Anne Evans, Andras Schiff, Robert Holl, Sylvia McNair and Thomas Hampson. Week two brings the Oslo Philharmonic under Jansons and the Philharmonia under Slatkin, plus recitals by Yuri Bashmet and Carmina Quartet. In the final week, recitalists include Felicity Lott, Dawn Upshaw and Anne Sofie von Otter; Carlo Rizzi conducts Verdi's Requiem; and there are concerts by the South West German Radio Orchestra under Gielen, the Leipzig Gewandhaus with Masur and the Royal Liverpool Philharmonic with Pesek. The festival also includes an exhaustive survey of the work of young Scottish composer James MacMillan.

OPERA

In the opening week, Charles Mackerras conducts a concert performance of Cosi fan tutte at the Usher Hall, while Scottish Opera presents its new production of Verdi's I Due Foscari at the King's Theatre. The second week features concert performances of Janacek's first opera Sarka and Verdi's rarely-performed Oberto, the latter conducted by Edward Downes. In the final week, Canadian Opera Company gives its European debut with a Bartok and Schoenberg double-bill, and Welsh National Opera offers two performances of Peter Stein's acclaimed production of Verdi's Falstaff.

THEATRE

The opening week features a modern Aeschylus production by Peter Sellars. Berlin's Hebbel Theater brings the Bob Wilson/Gertrude Stein theatre piece Dr Faustus Lights the Lights (Aug 25-28). The final week has Peter Stein's 1992 Salzburg Festival production of Shakespeare's Julius Caesar, and a Glasgow Citizens' production of Jacob Lenz's The Soldiers designed and directed by Philip Prowse. For those wanting a stronger Scottish flavour, try Tag Theatre Company's stage adaptation of Lewis Grassic Gibbon's trilogy A Scots Quair, a classic of Scottish literature.

DANCE

This is the weakest point, with just two guest ensembles. After last year's success, Mark Morris Dance Group returns for a residency at the Playhouse Theatre from Aug 17 to 23. American choreographer Bill T. Jones brings his troupe to the King's on Aug 28 and 29.

● Telephone bookings for official festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257. The festival ends on Sep 4.

■ DROTTNINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. Ruggero Raimondi gives a recital tomorrow. Figaro, a ballet-pantomime after Beaumarchais, choreographed by Ivo Cramer with anonymous 18th century music arranged and conducted by John Lanchbery, returns to the programme on Aug 27. Edita Gruberova gives a recital on Sep 3. Ends Sep 4 (08-660 8225)

■ LUCERNE

This year's programme, opening on Sat, focuses on anniversary celebrations of Tchaikovsky and Rakhmaninov, with Alfred Schnittke as the festival's first-ever composer in residence. Visitors from Russia include the Bolshoy Opera Orchestra and Chorus, the St Petersburg Capella Choir and Orchestra and the Russian National Orchestra with Mikhail Pletnev. There will be a Rakhmaninov piano marathon with Barry Douglas and others, the world premiere of a new work by Edison Denisov and a Schnittke ballet programme. Visiting orchestras include the Berlin, Vienna and Oslo Philharmonics. There is also a daytime amateur music festival from Aug 16 to 21, including workshops supervised by professional musicians. Ends Sep 8 (041-235272)

■ PESARO

Rossini opera festival: this year's new production is Armida, staged by Luca Ronconi and conducted by Daniele Gatti, with a cast led by Anna Caterina Antonacci, Ramon Vargas and Jeffrey Francis. There is also a revival of the Pizzi staging of Maometto II starring Cecilia Gasdia. Raina Kabaivanska sings arias by Gluck, Rossini and Cherubini on Aug 18, and Maurizio Pollini gives a piano recital on Aug 21. Ends Aug 22 (0721-33184)

■ SALZBURG

Despite the increase of contemporary music since Gerard Mortier's arrival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists. Tonight and tomorrow, the London Philharmonic gives its Salzburg debut under Franz Welser-Möst, with programmes including Bartok's Third Piano Concerto (Yefim Bronfman), Dvorak's Violin Concerto (Frank Peter Zimmerman) and symphonies by Schumann and Brahms. Later in the festival there will a chance to hear the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and Vienna Philharmonic under Ozawa and Levine. Recitalists include Murray Perahia, Samuel Ramey and Maurizio Pollini. In one of his reports from the festival on this page, Max Loppert gave a cool reception to two new Monteverdi productions - L'Orfeo and L'incoronazione di Poppea - but welcomed the revival of Die Zauberflöte (Haitink/Schaaf, with Anton Scharinger and Ruth Ziesak) as a "classic" Mozart staging. Other revivals include Salome (Dohnanyi/Bondy, with Catherine Malfitano and Bryn Terfel) and Falstaff (Solti/Ronconi, with José van Dam). A new production of Lucio Silla (Cambreling/Mussbach, with Ann Murray and Luba Orgonasova) follows in the final week. Ends Aug 31 (0662-844501)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Tonight: Evgeny Kissin takes part in a performance of Schubert's Trout Quintet. Tomorrow: Barbara Bonney gives an early evening recital, followed by a BSO concert in which Charles Dutoit conducts works by Rakhmaninov, Mozart and Brahms, with piano soloist Alicia de Larrocha. Sat: Zubin Mehta conducts Israel Philharmonic Orchestra, with soloists Pinchas Zukerman and Itzhak Perlman (preceded by an open rehearsal at 10.30). Sun afternoon: Simon Rattle conducts Boston Symphony Orchestra and Tanglewood Chorus in Haydn's The Creation, with Barbara Bonney, Robert Tear and David Thomas (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

■ STRESA

Situated on the shore of Lake Maggiore in northern Italy, Stresa offers some high-quality artists but no programme theme. This year's festival opens on Aug 29 with a Tchaikovsky concert played by the Royal Philharmonic Orchestra under Yehudi Menuhin. Riccardo Muti conducts the Scala Orchestra in works by Brahms, Busoni and Ravel on Sep 2, and Claudio Scimone directs I Solisti Veneti on Sep 13. There are also recitals by Tokyo Quartet, Wanderer Trio and Lazar Berman. Ends Sep 16 (Settimane Musicali di Stresa, Palazzo dei Congressi, Via R. Bonghi 4, 28049 Stresa. Tel 0323-31095 Fax 0323-32561)

■ VERONA

Cav and Pag has a final performance tomorrow with a cast led by Giovanna Casolla and Lando Bartolini. Carmen runs till Aug 29, with Martha Senn and Elena Zaremba alternating in the title role. Adriana Morelli and Maria Spacagna alternate as Violetta in La traviata (till Aug 30), and Aida has a cast led by Maria Dragoni, Kristian Johansson, Dolora Zajick and Paolo Gavanelli (till Aug 27). Khachaturian's ballet Spartacus, choreographed by Yuri Grigorovich, will be performed on Aug 18, 24, 26 and 31 (Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 045-596517 fax 045 801 3287)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Saturday Super Channel: Financial Times Reports 0930
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Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Where wimps meet superwomen

BOOK REVIEW

"Hi, hon, I'm home," announces Joe Blow, scooping his infant daughter to his chest as he enters the kitchen of his home in suburban Nowheresville, USA. "Say," he exclaims, "you've scrubbed them dirty pans from last night. I said I'd do them, when I got a chance. But I've been so busy."

"How long am I meant to wait, Joe?" interrupts Mary, his wife, as she dabs infant dribble from her stylish black business suit. "They made the place look so dirty, so... untidy.

"And talking of busy," she growls, "I haven't exactly been sitting on my butt, Joe; I was up before you this morning, gave my presentation to the board this afternoon, rushed home to take the kids to the dentist and did the dishes."

"Hey," says Joe, grinning smugly as he pulls a six-pack of beer from the fridge, "is it my fault you've got this crazy female obsession with tidiness? Now, hon, where's my dinner?"

Mary pours a container of hot, E-Z-Cook, low-calorie, microwaved vegetable lasagne over his head.

NO MAN'S LAND – Men's Changing Commitments to Family and Work
By Kathleen Gerson
Basic Books. $25. 366 pages

WOMEN AND THE WORK/FAMILY DILEMMA
By Deborah Swiss and Judith Walker
Wiley. $24.95. 255 pages

So ends another skirmish on the new frontier of western marital life – that dangerous, uncharted territory where couples grapple with the ramifications of one of the biggest social changes of the past three decades – the entry into the workforce of a large percentage of the married female population.

In the US, about 67 per cent of mothers are now employed or looking for work – a radical change from the 1950s, when bread-winning husbands and stay-at-home wives made up roughly two-thirds of American households.

Yet, as both these books point out, western culture and social institutions have hardly begun to reflect these changes. "The unspoken assumption persists that there is still a woman at home to raise the children and manage the household," say Swiss and Walker.

Husbands are not keen to swap the power and freedom their breadwinning fathers enjoyed for greater family involvement. Wives struggle to be "superwoman", combining the domestic role their mothers trained them to assume, and the demands of a job.

The business world, while just starting to pay attention to work/family issues, generally buttresses these positions: men who take time off for family matters tend to be viewed as wimps. Women who do so risk being branded "mommy trackers" – second-class beings who lack the corporate commitment needed to get to the top.

These books examine life on this frontier, though from very different perspectives. Swiss and Walker, professional consultants in the work/family field, interviewed female Harvard graduates, to see how some of the "brightest and best" of America's new generation of professional women were coping with the demands of home and family.

The answer: with difficulty. The book explodes the myth that a modern professional woman can "have it all" – a career and family – without suffering considerable physical and psychological stress.

They conclude that the "glass ceiling" which prevents women reaching the top because of their sex is "buttressed by a maternal wall – a transparent but very real barrier that significantly hinders a mother's ability to balance successfully work and family".

The husband's changing role is the subject explored by Kathleen Gerson, an associate professor of sociology at New York University, in a book which is long and ponderous, yet original in subject matter and mercifully free of jargon.

She maintains that men are growing confused about their position. "As women have become almost as likely as men to shoulder the responsibilities of supporting a family, it has become harder for men to defend and justify advantages based solely on being born male. The demise of a cultural consensus on the meaning of manhood has left men in a no-man's land, searching for new meanings and definitions of maturity."

Her book, based on interviews with American men from all social backgrounds, argues that men are responding in different ways, with many seeking to hold on to their traditional breadwinner privileges, but others taking on varying degrees of involvement with their families. However, even the most involved fathers still tend to evade what they consider the routine, dirty work of childcare.

Both books argue that companies need to be more flexible in allowing employees to balance the demands of work and home. But the vast majority of US companies, while playing lip service to family issues, would rather not get involved – and for good reasons: they view this as a private, individual matter, fear discriminating against employees with no families, or worry that greater provisions will hurt their bottom line.

They also note that, however flexible a corporation's policies, many women who can afford to quit work still do so after giving birth, feeling that their offspring need greater parental guidance than a childminder can give.

Of course, a man could provide such guidance. But western culture has yet to accept the idea of the house-husband, not least because of economics: men are still generally paid much more than women, so in a one-income family it makes sense for the man to work.

As Gerson points out: "Women cannot enjoy equal employment opportunites until men shoulder equal family obligations, and men are not likely to become equal partners until women enjoy equal economic opportunities." In other words, true equality will be a very long time coming.

Martin Dickson

ECONOMIC VIEWPOINT

'Advice given to ministers . . .'

By Samuel Brittan

BBC

Nigel Hawthorne (right) as Sir Humphrey Appleby explaining to his minister that freedom lies in the recognition of necessity

An essay entitled "Some reflections on the [UK] Treasury"* by that department's permanent secretary, Sir Terence Burns, is a timely confrontation with its critics. This is so despite the tendency to argue both (a) that the critics are misguided, and (b) that their criticisms have already been taken on board. Inevitably parts look as if they have been put together from pages supplied by different divisions. But the key sections bear Sir Terence's personal imprint.

He scores a number of direct hits. For instance: "The demand for greater independence of the central bank has come to be the most popular single answer to the problem of inflation that was once reserved for the exchange rate mechanism." He might have added that similar enthusiasm had been shown only slightly earlier for floating exchange rates and monetary targets. But should not Sir Terence come clean on where he himself has stood and now stands on such matters?

His stated complaint, however, is that less than one-fifth of the Treasury's resources goes into the design and execution of macro-economic policy; yet nearly all the public attention focuses on this area.

He is also amazed at the importance attached to forecasts. For, as he says: "The margins of error are well-documented and substantial. Unfortunately there is little sign of improvement despite significant technical and analytical developments." He complains that the "other 1,400 people in the central Treasury suffer the frustration of seeing their efforts judged by the forecasts of 30 or so economists – and even for those economists the forecasts are only one aspect of their performance."

Methinks he doth protest too much. Whether the macro-economic side of the Treasury is regarded as the head or the tail, it undoubtedly wags the dog. For it is on its doctrines and forecasts that the detailed work of the other sections hinge. At present that work is governed by the forecast of a £50bn public sector requirement this year, only running down to £30bn in 1997-98.

But how much the budget deficit matters, and over what timescale, if at all, it needs to be eliminated, is very much a matter of doctrine, theory – call it what you like. Despite Sir Terence's eyebrow-raising over forecasts, the Treasury feels more at home with numerical projections than with economic ideas, which it likes to think are provided by ministers and their mysterious outside friends.

Although there will always be a few highly technical papers, drawing on the academic literature, floating around the Treasury on particular matters, there is still a tendency to regard straightforward discussions of ideas as so much hot air, and for the inescapable theoretical presuppositions to be breathed in rather than explicitly discussed.

If the Treasury really wanted to downplay forecasts, why, for instance, did it appoint a seven-person Panel of Independent Forecasters instead of a Council of Economic Advisers with a proper secretariat to analyse the conditions for a sustainable recovery?

No doubt the on-the-record answer is that such decisions are taken by chancellors and that any advice given by officials is on a par with the secrets of the confessional, not to be revealed on pain of death.

I have difficulty in convincing some of my newer colleagues that when "Terry Burns", as he then was, joined the Treasury as chief economic adviser in 1980, at the tender age of 35, he was regarded as a new broom from outside, chosen because he was sceptical of the then-prevailing orthodoxy centring around incomes policy and demand management in real terms.

I was not merely an enthusiastic supporter, but tried to help by "forecasting" his appointment. Now, however, when the successive and rival variants of the new orthodoxy, such as the medium-term financial strategy and, subsequently, the exchange rate mechanism, came unstuck, he should have been prepared to discuss openly the new mistakes – as the politicians and journalists who backed the new approach had to do – rather than retreat into reactionary incantations about the confidentiality of advice given by civil servants to ministers.

This supposed Ark of the Covenant had already become an ironical incantation when I was writing a book on the Treasury in the 1960s. The then-Treasury permanent secretary, Sir William Armstrong, would urge me in the evenings to see former Tory ministers, who were not then in the habit of writing books, and he would even contribute some strong indiscretions of his own; but in the mornings he would lecture me about the confidentiality of advice.

Everyone is responsible for everything and no one is responsible for anything

I made the mistake of letting Armstrong have a copy of my manuscript. This was promptly handed over to Reginald Maudling, the then chancellor. At a lunch paid for by The Observer (for which I was then working), Maudling came as near to reading the Riot Act to me as that clever but laid-back politician had it in his nature to do. A future Treasury minister remarked to me how lucky I was that I had not had to face threats and bluster from someone like Lord Hailsham.

There was an interesting sequel. When the next edition appeared, Maudling – by then in opposition – wrote a friendly and favourable review in The Spectator. Without any Sir Humphrey at his heels, he made no mention of the confidentiality of advice and said that for events of which he had personal knowledge the book was remarkably accurate. Burns, then a rising economist at the London Business School, was delighted to lap up all the investigative journalism he could find.

The official defence of ultra-confidentiality has not changed in all those years. Even the olive branches about revealing more of the background thinking to parliamentary committees were offered three decades ago. It is still said that officials will not give good and frank advice if it is to be disclosed. One could as easily argue the opposite: that advice will be better if those giving it know that they will have to defend it. The quality of Fed deliberations does not seem to suffer from publication of the minutes of the Open Market Committee six weeks after it has taken place.

But surely private sector organisations do not deliberate in public? The big difference is that profit-making companies are held accountable by the famous bottom line. (Even so, it might have been in the public interest if more had been known about how the clearing banks had taken their credit decisions.) The bottom line in Whitehall is the sacking, resignation or electoral defeat of the ministers who receive the advice.

Nor can I attach the same importance as permanent secretaries do to the same officials advising politicians of all parties and all hues. Some officials used to boast how they had prepared bills both to nationalise and denationalise steel with equal zest. That was in the days when Oxford-type economists used to teach that ownership was of supreme irrelevance. Even then, I found such boasting a little nauseating.

What is wrong with many large organisations, and the British government in particular, is that everyone is responsible for everything and no one is responsible for anything in particular. My main reason for supporting an independent central bank is not that it would have the magic power to maintain low inflation painlessly. It is that one set of people would be clearly accountable for monetary policy.

Similarly, if officials were accountable for advice to ministers – which they would not have to pretend was unanimous – outsiders would be able to judge how far what had gone wrong was due to politicians not taking that advice and how far it was because that advice was itself wrong.

Such specific allocation of responsibilities would not produce the millennium, but at least the air would smell fresher.

**To appear in a book of essays in honour of Sir James Ball's 60th birthday, to be published this autumn by Edward Elgar*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Lloyd's controversy not resolved by vote

From Mr Alan Porter.

Sir, Richard Lapper's report on the result of the ballot on Lloyd's business plan may have given the impression that the controversy is over and done with ("Lloyd's Names vote in support of business strategy", August 11). This is not the case.

Claud Gurney and his fellow promoters of the July egm represent the "Angry Brigade" among Lloyd's Names and were widely warned that their initiative was ill-timed and likely to be rebuffed.

Those among the action groups who occupy the middle ground felt that peace should be given a chance to work, and that the weapon of veto should be reserved for when it was really needed, if at all.

It remains the case that Lloyd's business plan will not succeed unless it preserves equity between the old and new generations of Lloyd's Names (the dividing line being January 1 1994), and between individual Names and corporate capital. The 20,000 Names (62 per cent of the membership) who are currently members of action groups are claiming compensation not because they are unwilling to meet "commercial" losses, but because they are demonstrably the victims of professional negligence and misrepresentation on a scale without precedent in the City. All of these problems can be put to rest and litigation ended, but only if the Council of Lloyd's can come up with an appropriately large settlement package as a conclusion of its current disputes initiative. Half measures will not work, and the aggrieved Names command sufficient votes that, if properly marshalled, they will prevail.

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Poland quick on the call

From Leon Paczynski.

Sir, In Andrew Adonis's article on eastern Europe's telecoms ("Call waiting, for the lucky few", August 4) the remarks of the Polish telecommunications minister are cited as an example that "ideological opposition to privatisation and liberalisation remains strong".

The minister's comments should not have led Mr Adonis to such an erroneous conclusion. All too often western observers expect rapid transformations even in sectors which in the west are still being privatised and liberalised. It should be recalled that AT&T/Bell and BT were broken up and privatised only in the 1980s in countries that are fully fledged market economies.

In countries of the European Community, arguments about the permissible extent of breaking down "natural monopolies" is hardly a dead issue, particularly in Germany.

The EC itself does not require de-monopolisation of voice telephony until 1998. With this in mind, Poland's commitment to competition in telecommunications services (the Telecommunications Act of 1990 provides for competition in all services, except international) and ongoing work on liberalising the tariff structure is rather "fast-paced" compared with the rest of Europe.

Leon Paczynski,
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Poland

An equally pertinent point?

From Mr Tony Batcup.

Sir, Reading the letter from Norman Willis (August 6) regarding the equalisation of pensions at 60 raised a smile on my face. It begs the question: how old is Norman Willis?

Tony Batcup,
PO Box 2811,
Göttingen,
Germany

Thorp: a testing option, and flawed economics

From Mr Marcus Birsel.

Sir, There is an elegant way to take the economic "Nuclear decision" (Leader, August 5) to operate or to abandon Thorp. The government should apply its doctrine of "market testing". If the profits from Thorp are secure; if the risks are fully covered; if the government needs money to plug its budget deficit; then it should sell Thorp and its supposedly lucrative contracts to the private sector.

Let it run the plant, bear the risks, make profits and pay tax.

If this privatisation proves difficult, as I suspect it would, the government will have to ask why such an allegedly profitable venture cannot be sold and recognise the exceptionally unattractive risks it bears for the nuclear industry.

This has to be better than relying on the conclusions of a report put together by British Nuclear Fuels.

Marcus Birsel,
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From Dr Patrick Green.

Sir, Further to your editorial, Friends of the Earth believes the government has ignored a fundamental flaw in the economic case developed by BNFL for Thorp. By doing so it has ignored the possible gains to BNFL, its customers and the UK economy, that would arise by cancelling Thorp.

The economic case that BNFL has put forward for opening Thorp assumes that it would lose all £4bn of its projected income if the plant were not opened. This scenario is completely unrealistic and should not be accepted without question. It would be far more realistic for BNFL to sell its customers other spent fuel management services, such as spent fuel storage, as a direct replacement for existing reprocessing contracts. It is likely that both BNFL and its customers would benefit from such a switch in contracts.

For this to happen, however, the government must take responsibility for bringing the parties to the negotiating table. The government cannot claim that opening Thorp is justified without conducting a full and open evaluation of all possible options.

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From Mr P. Wilkinson, Dr D. Lowry, and Professor F. Barnaby.

Sir, On June 28, 1993, environment secretary John Gummer called for an extended review period on the commissioning of Thorp and noted that, among other issues, plutonium production and the impact on the proliferation of nuclear weapons needed to be investigated more fully.

WBMG Environmental Communications commissioned a report on the issue from the European Proliferation Information Centre (EPIC) which concluded that:

- Thorp would generate 50 tonnes of plutonium for export in the first decade of its operation, sufficient for 5,000 nuclear bombs.
- This would result in about 70 transports a year, representing a significant increase in terrorist opportunities.

The nuclear regulatory bodies are already stretched as the quantity of material they are required to safeguard has trebled in the past 10 years while the number of inspectors has only increased by 50 per cent. They will be further hard pressed to deal effectively with a growing inventory of nuclear material.

These findings, among others, were presented to selected secretaries of state, including Mr Gummer, and to opposition spokespeople. Press reports quoting government officials indicate that ministers have decided such wider issues are "not relevant" to the debate on Thorp, confirming that Whitehall minds are firmly closed on the matter.

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Hard questions for Germany

THE INSISTENCE of the Bundesbank on acknowledging responsibility only for price stability in Germany, to the exclusion of wider European considerations, has led some commentators to ask whether Germany has now broken free of the double inhibition imposed on it as a nation-state by the second world war and the cold war, and must from now on be expected to prefer its national interests to those of Europe.

The facts do not justify such an alarmist question. In matters monetary the Germans, and more especially the Bundesbank, have never been inhibited about putting national interests first. Their defence is that by weakening the D-Mark they would do no service to Europe. Better suspend or relax the ERM for a time than allow the European ship to drag its German anchor.

As for the broader issues, Chancellor Helmut Kohl and his government are clearly sincere in believing that the upset is only temporary, that Phase Two of monetary union can and must still start on January 1 next year with the creation of the European Monetary Institute, and that Phase Three, the single currency, can still happen in 1999, even if 1997 is now less likely. They remain adamant that the EMI must be located in Frankfurt, and that the single currency can be joined only by countries that meet the full Maastricht criteria. But there is nothing new about either of those demands. On the second there has even been a hint of greater flexibility from the Bundesbank president himself, who has remarked publicly that the figure of 60 per cent of GDP for government debt – which Belgium, in particular, would have great difficulty in meeting – is an arbitrary one. This suggests a genuine German desire that the Emu timetable remain feasible for at least a hard core of countries.

Present discontents

All such reasoning presupposes that the present discontents are essentially temporary, and that "normality", in the sense of a fiscally responsible Germany whose central bank does not need to throttle back inflation with high interest rates, will soon be restored. The cuts in unemployment and social benefits on which the government agreed yesterday go some way to support that hypothesis. But they are not enough in themselves to answer the question. Is the ballooning of public expenditure caused by unification an aberration, or will it rather be the previous 30 years that come to be seen as historically exceptional: a period when the ambitions of the German state were contained by abnormal circumstances, and German strength could express itself only in the form of a large trade surplus and a strong currency?

Responsibilities

Quite apart from uncertainty about the time it will take to turn the east German economy round, Germany also faces expectations and responsibilities in central and eastern Europe which its elite will not wish to evade, but which its electorate will not wish to finance by any permanent lowering of their own material expectations. At the same time, Germany's ability to maintain its position as a leading world industrial power is by no means assured. The German ambassador in Italy and former head of the foreign ministry planning staff, Mr Konrad Seitz, has recently drawn attention to his country's backwardness, in comparison to the US and Japan, in developing the new industries born of the revolutions in information and genetic technology. (The point is valid, alas, not only for Germany but for Europe as a whole.)

It is thus quite imaginable that Germany will not rapidly recover its fiscal balance, but will find itself saddled with a structural budget deficit for reasons similar, if on a smaller scale, to those that have afflicted the US. If that happens, either the Bundesbank will continue to maintain interest rates at a level which makes Phase Two of Maastricht unsustainable for other European economies with less inflationary pressure, or its hold on monetary policy will be broken by a revision of priorities in German society at large. Either way the Maastricht route to Emu, which in essence is a gradual agglutination of other currencies to a rock-solid D-Mark, would become untenable. A great deal hangs on the nature, as well as the timing, of the German recovery.

An entente that remains elusive

ANGLO-FRENCH relations have never been characterised by undiluted sweetness and light. Yet even by historic standards the degree of mutual incomprehension after the upheaval in the European exchange rate mechanism (ERM) ranks uncommonly high on the Richter scale. A glance at the recent outpourings of the Fourth Estate in the respective countries – and indeed of the press in the rest of the Community – suggests a cultural divide that will not be easily bridged as Europe takes stock after the debacle.

It will not help overmuch to seek explanations in old caricatures: the Anglo-Saxon pro-market, pro-financial culture versus a French dirigiste tendency that goes back to Colbert. To the extent that they have any validity, these cultural stereotypes are anyway no longer the exclusive property of the countries concerned.

Even under the socialists, France adopted an increasingly pro-business culture in the 1980s. While this may have come more than two centuries after Voltaire lauded Britain's libertarian brand of commercialism in his *Lettres Anglaises*, there is no doubting the belated commitment. Both the socialists and their right-of-centre successors have sought to turn Paris into a fit competitor for the City of London by deregulating its markets. Influenced by the Thatcher-Reagan model, other EC members succumbed to the liberalising and privatising tendency.

Free-market British

For their part, the supposedly free-market British, with Mrs Thatcher dissenting, went voluntarily into the rigid, post-1987 version of the ERM. The move was widely regarded as helpful to industry, but scarcely accorded with the view of a country that puts the interests of manufacturing second to those of the City, which thrives on currency instability. How, then, do we explain the wholly different responses of British and French politicians to their mutually shared experience of destabilising speculation?

On the French side there is undoubtedly a historic preoccupation with currency strength that goes back to France's central role in the 19th century Latin Monetary Union and beyond. The measure of that commitment was seen in the 1930s when French national income declined by a third in money terms between 1930 and 1935, while the country stuck doggedly to the Gold Bloc – this, despite the apparent benefits to the economy of the earlier franc devaluation of the mid-1920s and the example of high growth in Britain after sterling parted company with gold in 1931.

Economic costs

Equally striking is the French readiness to incur large economic costs in pursuit of foreign policy goals, as in the ERM. The British antipathy for such an approach is partly explained by the historically larger role of trade in relation to GNP. But nor is the German appetite for economic and political linkage on a par with the French: it was, after all, the reluctance of the Bundesbank to jeopardise its own monetary policy by supporting an ailing franc that disabled the ERM. That reluctance enjoys ample support from German public opinion.

Yet the most striking area in which the French and other continental Europeans differ from the Anglo-Saxons concerns speculation. To many Britons, with a very open economy and the highest portfolio percentage of overseas investment in the developed world, so-called speculation appears to be a legitimate means of protecting the interests of pensioners and policyholders, and of protecting the finances of employers in the tradeable goods sector.

In contrast, much comment in France treats speculation as immoral; and such is the respect for the state that the idea that the French may have been saved by the markets from an appallingly deflationary policy blunder is wholly alien. Nor is it a coincidence that 'new right' critiques of majoritarian democracy have been slower to take root in France than in the US and the UK. The notion that government needs to be fettered by more constitutional constraints and market freedoms is simply incompatible with the elitism that has accompanied France's recent economic success. Such cultural differences do not preclude forward movement in the Community. But they need to be explored and understood.

David Dodwell examines negotiations surrounding the troubled passage of Nafta as domestic politics intrude

Muddle around the melting pot

A weary US trade negotiator emerged this week from five hours of inconclusive talks on the North American Free Trade Agreement. He turned to waiting reporters and said: "I have a quote for you: Canada stinks. Mexico stinks. Nafta stinks. I've cancelled my vacation three times because of these talks, and now, I'm out of here."

As talks in Washington have broken up for negotiators to snatch delayed summer holidays, the outburst says much about the frustration that has built up over months of glacial progress.

Three deadlines for completion of negotiations on side agreements to the main treaty, covering minimum labour and environmental standards, have come and gone in the past month. Trade lobbyists in Washington find it hard to assesses whether the talks are close to completion, or close to collapse. One spoke yesterday of "wildly fluctuating assessments" circulating around Capitol Hill.

But as negotiators have whittled away at the handful of outstanding labour and environmental issues separating the US, Mexico and Canada, it seems all three countries have domestic political barriers which cast doubt on a successful outcome.

In the US, President Clinton is paralysed by an issue that divides the Democratic party down the middle. With a bruising battle over the budget just behind him, he is bracing himself for the controversial passage of healthcare reform. Many advisers are urging him not to waste political capital on Nafta, which they see as less pivotal.

Those in the party with either labour or environmental interests see Nafta as a threat to jobs or to efforts to enforce higher environmental standards. Mr Clinton is under pressure to deliver a deal which "has teeth", both in reversing environmental degradation in the *maquiladoras* (free-trade zones) along the US-Mexico border, and in preventing labour abuses in factories being relocated to Mexico.

For Mexico, the Nafta deal was intended to provide President Carlos Salinas with a springboard for a like-minded reformist president to win the election due in September next year. But after the long delays, officials stress the agreement is not indispensable to stability and growth.

Mrs Kim Campbell, Canada's new prime minister, faces federal elections within three months. During the recession of the past four years, which has deeply dented the government's popularity, the US-Canada free-trade agreement agreed in 1989 has been blamed by Canadian voters for many ills. They think Nafta will make matters worse as factories and jobs continue to be lost across the border. Mrs Campbell is unlikely to approve any Nafta deal which can be interpreted as "caving in" to the US.

For all three leaders, political constraints are proving inimical to signing a Nafta deal. It is ironic that the agreement, once trumpeted as a "win-win-win" deal for all involved, should now be seen as a liability.

Part of the "win-win-win" outcome was to derive from labour-intensive industries migrating to Mexico, while highly skilled production would be concentrated in the US and Canada. But the prospect of job losses triggered a furore in low-technology US industries, among trade unions, and among environmental lobbyists. It is what prompted Mr Ross Perot, the former presidential candidate, to talk of "the sucking sound of jobs heading south". Environmentalists are convinced that it will be "dirty industry" that migrates in search of a less rigorous legislative environment in Mexico.

Mr Ralph Nader, long-time US consumer rights campaigner and head of the Sierra Club environmental group, criticises Mexico's cheap labour. He says its "comparative advantage" stems from its failure to enforce its child labour law, and he insists that no trade agreement will compel Mexican companies to enforce their worker, health or safety laws.

In contrast, many economists forecast net job gains accruing from Nafta in both Mexico and the US. They also challenge claims of dirty industry migration.

Using US commerce department figures that each $1bn of US exports generates 20,000 US jobs, they say the Mexican market has been responsible for the creation of nearly 500,000 US jobs in the past few years. Exports to Mexico rose last year to $44bn.

But statistics appear to count for little as the battle intensifies to win US congressional backing for Nafta.

Few congressmen believe Nafta is yet ripe for passage. According to Mr John Dingell, Democrat chairman of the House energy and commerce committee, and an opponent of the treaty: "Every sign I see is that the votes are not present for Nafta to be carried. Given that, I think the president is rather prudently holding back."

Any winning coalition in the House of Representatives and the Senate would need to comprise most of the Republican members, together with about half of the Democrats. In the budget vote there was a complete absence of Republican support, which meant every single Democratic vote was needed – Vice-President Al Gore cast the decisive vote. Building a coalition is a risky strategy for Mr Clinton, both because Republican votes cannot be relied upon and because reliance on his opponents would damage his relationship with fellow Democrats.

"I think the president should take a hard look at whether he wants to pass Nafta with a Republican majority," Mr Dingell warned.

About 50 of the 176 Republicans in the House, and perhaps as many as nine of the 44 Republican senators currently seem likely to vote against the treaty. The votes of potential Nafta supporters on the Democratic side, notably that of Mr Richard Gephardt, the House majority leader who wields considerable political power, remain conditional on the negotiation of satisfactory side agreements.

Some encouraging signals can be seen across the country however. The nation's governors, particularly those in the west, appear to be in favour of the accord. A recent survey by the Heritage Foundation showed 40 of 50 governors strongly support the agreement, with 10 undecided or not responding.

Many of those in favour are impatient at President Clinton's hesitancy. The protracted delay in the appointment by the administration of a "Nafta tsar" to co-ordinate the lobbying effort is symbolic of inaction. The fact that the Chicago-based Mr William Daley has been offered the post is one of Washington's less well-kept secrets, but Mr Daley appears reluctant to say yes until he is confident Mr Clinton is fully committed to the Nafta.

Supporters of the treaty have also been frustrated by the administration's behaviour. Industrialists who might be expected to campaign vigorously on its behalf are angry that only labour and environmental groups have been consulted about the side agreements.

An administration blunder is also looming in the appeal it is lodging against a ruling by Washington federal judge Charles Richey. In June, he upheld a claim by environmentalists that the administration must prepare an environmental impact statement on Nafta, which could take years.

Initially, the ruling was thought to put the entire Nafta deal in jeopardy. Negotiators then drew comfort from legal opinion that the ruling was likely to be overturned on appeal. However, several business lobbyists for Nafta who have seen details of the administration's intended brief have taken the unusual step of preparing an appeal of their own.

The Nafta deal is nevertheless not yet lost. Canadian officials said after this week's talks that the three countries were "very, very close" to an agreement, but that "there are a couple of really tough issues which people have to think through".

There is also the conviction among the negotiators that if Mr Clinton decided that regardless of political cost, the agreement was still i the national interest, then it could be pushed successfully through Congress. But doubts remain over his commitment. As one journalist shouted across the White House lawn at the passing president: "Sir, have you given up on Nafta?" He smiled, but gave no answer.

Additional reporting by George Graham in Washington

How to halt Russia's rouble charade

PERSONAL VIEW

Contrary to the implication of a recent leader in the FT ("Sabotaging the rouble", July 21), the actions of the Central Bank of Russia to confiscate pre-1993 rouble notes should not be viewed as extraordinary. They exemplify long-established, mischievous tendencies of central banking in Russia.

As the leader remarked, the present confiscation is like the one made under Gorbachev in January 1991. But the Gorbachev currency confiscation was nothing new to Russians. Older Russians had suffered a currency confiscation on December 14 1947. It cut in half the real value of savings exceeding 10,000 roubles (about three months' wages at the time). Further back, Russian monetary history contains other episodes of monetary mischief. Indeed, even before central banking began in Russia in 1860, the tsars, including Peter the Great, frequently debased the coinage.

Yet westerners now advising the Russian government seem to have learnt nothing from the wretched historical record of political control of money in Russia. For example, as recently as July 21, the FT ("Climate of reform brings rouble back from the dead") reported that Jeffrey Sachs was urging the International Monetary Fund to negotiate an agreement by the end of the summer to make as much as $6bn available to stabilise the rouble. In the same article, Charles Blitzer, the World Bank's chief economist in Moscow, claimed: "What we are seeing are the first effects of a step-by-step stabilisation programme."

The FT and other leading newspapers have rather uncritically used material supplied by Russia's western advisers to advocate foreign aid to stabilise the rouble and reform the Russian economy. That is curious, indeed, because neither the Central Bank of Russia nor the Yeltsin government has ever had a coherent programme to stabilise the rouble or reform the Russian economy. Their policies have been little more than hastily improvised charades to extract aid from the west.

The charades have, alas, been successful; for example, last month's currency confiscation came on the heels of a $1.5bn loan to Russia from the IMF, which adopted an especially lax set of rules to enable Russia to borrow.

Russia's western advisers speculate that things would be fine if Mr Yeltsin would just replace the former communists in the central bank and the government with "reformers". But they neglect two details: Mr Yeltsin is a former communist, and deep-rooted patterns of thinking cannot be radically changed overnight. We suspect that one reason Mr Yeltsin keeps former communists in power is that he has known them for years, trusts them to some extent, and agrees with much of what they do.

The only way to stabilise the rouble permanently is to change Russia's monetary institutions

Mr Yeltsin could have reacted to the currency confiscation by declaring the central bank's decree invalid. He could also have fired Viktor Gerashchenko, the chairman of the central bank, and Viktor Chernomyrdin, the prime minister who signed the decree. Alas, he did not take these actions, even though they would have been popular with the populace. Instead, he agreed to the main features of the currency confiscation.

Russia's monetary problems go deeper than personalities. They are institutional: central banking has never provided a sound currency in Russia for an extended period. As long as Russia has a central bank it is likely to have an inconvertible currency highly prone to inflation.

The only way to stabilise the rouble permanently is to change Russia's monetary institutions. That means, first and foremost, abolishing the central bank and replacing it with a currency board. Such boards have been tried successfully in more than 70 countries, including part of Russia from 1918-20.

A Russian currency board would hold 100 per cent foreign reserves against rouble notes in circulation. It would maintain a fixed exchange rate between the rouble and a suitable foreign currency such as the dollar. The rouble would then be as stable and convertible as the dollar. The currency board would force financial rectitude on the Russian government and prevent it from picking the people's pockets.

When the Group of Seven nations and international financial institutions confer with the Russian government after the summer holiday season, the west must start talking monetary sense. Anything less than a currency board will perpetuate Russia's traditional pattern of monetary mischief and jeopardise any attempts at real economic reform.

Steve Hanke
Kurt Schuler

The authors are, respectively, professor of applied economics and a post-doctoral fellow at the Johns Hopkins University in Baltimore. They are the authors (with Lars Jonung) of "Russian Currency and Finance: A Currency Board Approach to Reform", which will be published by Routledge in September

OBSERVER

Breaking the mould

■ If Unilever's Charles Miller Smith really has joined the race for the chief executive's job at Barclays, as is being suggested in some quarters, then it casts an interesting sidelight on the succession at Unilever itself.

Unilever is headed by a triumvirate consisting of two chairmen – by tradition, one English and one Dutch – and a third director, known colloquially in Unilever as the Pope in Waiting. Both chairmen, Mike Perry and Floris Maljers, are 59, which makes them due to retire in another two or three years. The third – let us call him the PIW – is another Dutchman, Morris Tabaksblat. Since it would hardly do for both chairmen to retire at once, a likely solution is for Maljers to go next May. Tabaksblat then steps up as Dutch chairman, leaving a slot for the next PIW, who would by tradition be British.

This is where Miller Smith comes in. At 53, he is a relatively high flier at Unilever, having been finance director and now running the foods business in southern Europe. But he is not quite as high a flier as his super-cool predecessor as finance director, Niall FitzGerald, who is now Unilever's detergents supremo and is still only 47.

The smart money within Unilever is on FitzGerald for PIW. There would be an odd advantage to this. The tradition of having British and Dutch chairmen is rooted in the Anglo-Dutch merger of Lever Bros and Union Margarine half a century ago. This was originally a way of preserving the balance between the two sides. But in today's Unilever, it is daft that German or Indian directors should be barred from the top on grounds of nationality.

And FitzGerald is not a Brit, but an Irishman. The PIW job would set him on course to be the first non-British/Dutch chairman of Unilever (one previous chairman, David Orr, was from Ireland, but north of the border). Curious that such a narrow distinction should make a difference. But that's tradition for you.

Counter strike

■ Is there a strike on? Staff at the Cardiff headquarters of Companies House were more than a little surprised to get a call from their colleagues at the Post Office the other day pressing them to settle an overdue bill.

Given that the nine-day mail strike in Wales has pushed many small companies to the verge of bankruptcy and the business of Companies House itself is less than 30 per cent of normal, it might have been thought that the excuse that the cheque was in the post would be sufficient explanation.

"I'm the one millionth NHS patient waiting for treatment but I can't remember what for"

The PO ordered Companies House to cancel its cheque and said it would send a messenger round to collect a new one. Sensibly, Companies House told the PO what it could do with its messenger.

Cheap fun

■ Roll up, roll up. There are still places available at next month's Trades Union Congress in Brighton. It is not even necessary to be a member of a trade union any longer. Have £25 ready and you are promised five days of fun with the brothers and sisters.

Top of the bill is Labour leader John Smith, followed by the canny Padraig Flynn, European Community social affairs commissioner, making his first appearance on the TUC stage. Fans of retiring TUC general secretary Norman 'Ramblo' Willis will also be anxious to catch his performance as he struggles with his girth and his syntax for one last time.

The TUC, desperate to drum up some interest in its affairs, is advertising the event as "a unique opportunity to hear trade unions discuss the key industrial issues of our time". The trouble is that few outside Congress treat it seriously any more.

Maybe that is the reason why the TUC is now reduced to selling itself at a bargain basement price of £5 a day (including VAT).

No return

■ Who said that the days of mad advances and crazed auctions in the British publishing industry were over? Travel writer Bill Bryson, whose latest work The Lost Continent has been on the best-seller lists for 27 weeks, has just hit gold.

Transworld, the UK publishing arm of Bertelsmann, outbid five other publishers desperate to get their hands on Bryson's next tome. Carol Heaton, Bryson's agent, says that it is "one of the most exciting deals" she has ever been involved in. It certainly sounds like it.

Although she refuses to disclose the size of the advance, disappointed bidders suggest that it is around £240,000. That should enable Bryson to buy a large number of mules or Concorde tickets to help him think up an idea for a book for which there is no synopsis, let alone a title. How about "Journey into the Unknown"?

Not us, guv

■ Times must be bad in Britain's cash-strapped football business. The football season has not even kicked off and yet one first division club has already put its stadium up for sale. An industrious colleague was so intrigued by the Financial Times advert offering a freehold stadium for £5m ono, that all 24 first division clubs were contacted to see who was selling.

Southend United's Vic Jobson seemed the hot favourite. But he gave the thumbs down as did the chieftains of other likely candidates such as Luton Town, Portsmouth, Watford, Oxford, and Crystal Palace. Someone seems to be telling porkies.

Just testing

■ Overheard in the tuckshop. "If I come home from school, go into the kitchen and am greeted by the smell of good home cooking, then I know one thing for sure. I'm in the wrong house."

FINANCIAL TIMES

Thursday August 12 1993

Yeltsin tries to block attempt by parliament to halt privatisation

By Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin yesterday sought to override the Russian parliament's efforts to block mass privatisation, issuing a decree under which Moscow could punish officials for failing to implement the legislation.

In addition, Mr Anatoly Chubais, deputy prime minister responsible for privatisation, also said funds would be cut off to regions that failed to fulfil the programme.

Mr Chubais said the decree and a similar government resolution were issued in response to an attack on the programme by parliament. He said parliament was embarked on a "crazy" political gamble, since the process of privatisation was too popular to be stopped.

The government resolution included a requirement that 30 per cent of individual state enterprises be offered to the public three months after they are turned into joint stock companies and that 70 per cent of stock on offer be sold for privatisation vouchers distributed to every Russian citizen.

The presidential decree said the privatisation programme, which includes a list of enterprises earmarked for sale, could be submitted to parliament only after it was approved by all of Russia's 89 regions.

This is seen as a delaying tactic since the process could last indefinitely and would keep the legislation clear of parliamentary scrutiny.

Mr Chubais said the government resolution could not be reversed as parliament does not have the right to do so. However, it has already twice overturned Mr Yeltsin's presidential decrees on privatisation and could do the same again.

Mr Yeltsin faces fresh attacks when parliament meets today. On its agenda are proposals to convene a Congress of People's Deputies to strip Mr Yeltsin of his role as commander-in-chief, and to set up a medical commission to examine his health.

In an attempt to project new decisiveness on the part of the president, who has promised a "combative September", a presidential spokesman described Mr Ruslan Khasbulatov, the parliamentary speaker, as a "maniac".

Mr Vyacheslav Kostikov accused Mr Khasbulatov of trying to draw the armed forces into politics by attacking the president at a meeting with military officials.

"His accusations show not only the level of his political extremism but also the maniacal imbalance of this figure, whose actions pose an increasing danger to society," Mr Kostikov said.

● Mr Boris Fyodorov, the finance minister, said it was unlikely a handful of former Soviet republics would be able soon to recreate either a rouble zone or an economic union.

He denied Russia was seeking to write off debts to the west, saying that a statement to this effect had been the personal opinion of Mr Konstantin Kagalovsky, Russia's representative at the International Monetary Fund.

Negotiations were under way with republics that wanted to keep the rouble as their currency, Mr Fyodorov said, but "what will happen to the rouble zone remains to be seen".

The central bank's botched monetary reform showed "these issues cannot be resolved so easily", he added.

Bosnian Moslem leader gives Serbs two days to leave strategic mountains

Izetbegovic threatens to quit talks

By Laura Silber in Geneva

PRESIDENT Alija Izetbegovic yesterday gave his Bosnian Serb adversaries two days to withdraw from key high ground overlooking Sarajevo, the besieged capital, before he abandoned peace talks.

"I will stay here for two more days, then we will return to our Bosnia," he said after his delegation met the international mediators Lord Owen and Mr Thorvald Stoltenberg.

The mediators held separate meetings with Mr Izetbegovic and his Bosnian Serb enemy, Mr Radovan Karadzic. The talks concentrated on the military situation on Mount Bjelasnica and Mount Igman, strategic high points south of Sarajevo.

But Mr Karadzic said last night: "We hope to move our troops out by 8am GMT and save the conference." Earlier he dismissed as a "shameful lie" reports that Serbs were being redeployed on Bjelasnica. Before entering talks he said the new troops were replacing "wet and cold" soldiers.

The two peace envoys appeared frustrated by the delay and confusion over whether Serb forces intended to honour their promise to withdraw. Mr John Mills, their spokesman, admitted: "There is evidence of a Serb withdrawal... What we are having trouble ascertaining is the extent of the withdrawal and how genuine a withdrawal might be."

He said Mr Karadzic had been told by the co-chairmen in very clear terms that "all his troops should leave Igman". Mount Igman is of greater importance to the mainly Moslem Bosnian army because it includes a military supply route which leads to Sarajevo.

Mr Mills yesterday dismissed reports that the co-chairmen were exerting pressure on the Bosnian government to accept the Serb plan to divide the Bosnian capital. He said they did not favour any solution and cited a weekend report to the UN Security Council suggesting "it may not be possible to negotiate a permanent solution in Sarajevo for some time".

Mr Karadzic has endorsed the "temporary solution", raising Moslem fears that it amounted to approval for the ethnic division of the Bosnian capital. According to the 1991 census, Moslems comprised a majority in each of the six districts of Sarajevo where more than a third of marriages crossed ethnic lines.

Geneva conference officials yesterday welcomed the ratification of another military paper aimed at ending the war. The commanders of the Bosnian, Serb and Croat armies agreed to halt any offensives and freeze their troops in current positions after 17 hours of talks. Scores of previous ceasefires have broken down.

Nato planners draw up Bosnia air-strike targets, Page 2

European headhunters forced to diversify during recession

By Lucy Kellaway in London

THE RECESSION in Europe has taken a heavy toll on headhunters, cutting their revenue and encouraging them to merge or branch out into new businesses, says a report from the Economist Intelligence Unit.

The size of the European executive search market fell by nearly a quarter in 1992, but has stabilised and is forecast to pick up next year.

The report estimates that consultancy income last year was some $700m-$800m, between 20 per cent and 25 per cent less than in the previous year. The fall has been most marked in middle management, where revenues have fallen by more than 40 per cent. Headhunting of top level executives has been relatively unaffected. The report shows the structure of the industry is changing, with firms increasingly offering multinational clients headhunting services in more than one country. They are also diversifying into related areas such as interim management, management audit and assessment and executive selection as well as headhunting non-executive directors.

The survey ranks headhunters by size and finds that the Swiss consultancy Egon Zehnder is the largest with nearly 10 per cent of the market and revenues of $70m. It is followed by GKR Neumann and Amrop International, which each had revenues of about $40m in 1992.

The EIU identifies a demand for a new breed of "global" managers. It says that European joint venture companies, and many multinationals are increasingly looking for international executives who are multilingual, internationally minded, and have experience of working in more than one country and industry.

Overwhelmingly the two largest markets are Germany and the UK. The top ten firms have revenues of $93m in Germany and $78m in the UK. Revenues in France, the third most important, were only $43m.

The report also gives advice on how to select a headhunter and deal with them once picked. It advises that companies take time to educate the consultant on their corporate cultures and not use more than two different firms.

Executive search in Europe: Choosing and using a headhunter. Available from the Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. £135/$210

FT-SE 100 above 3,000

Continued from Page 1

neering and motor stocks which stand to benefit quickly from overall economic improvement.

The leading performers, however, have been equities in the the merchant banking sector which have outperformed the equity market by nearly 12 per cent this month. Increased volumes of trading in securities, and the prospect of lower interest rates have led investors to believe that this sector will enjoy improved profitability.

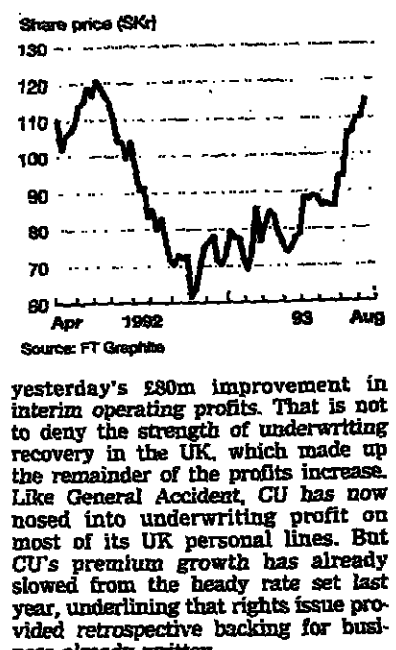
In France, the CAC-40 share index rose 27.61 points, or 1.29 per cent, to finish at an all-time high of 2,167.39. The Paris bourse has already surged some 3.9 per cent since the ERM reform. But the rise follows a string of poor sales figures announced by firms for the first half of this year, and some analysts have suggested the equity price rise may be too optimistic.

THE LEX COLUMN

Stretching the gap

The contrast between yesterday's exuberance in the equity market and the caution of industrialists is startling. Perhaps it is because CBI members do not spend enough time looking at the plummeting gilt yield curve. Doubters may question how rapidly a rising gilt market will aid recovery, but it is certainly having a powerful impact on investment flows. Low returns on cash and falling gilt yields are pushing both private and professional investors towards shares. Indeed, it seems that domestic fund managers have not been in the van of the recent charge. Private investors, overseas funds and bank buying in the gilts market have swelled the cash flow through the London markets. Those UK fund managers and market makers who were left behind have doubtless contributed to the snap move of the FT-SE 100 index above 3,000.

Still, while some investment criteria suggest that the rally can go further, there are disturbing signs that valuations are stretched. Share ratings have reached levels which are not justified by even the medium-term earnings outlook. Those companies which have already released figures for the first half of the year consistently report sluggish underlying business conditions. Current valuations do not look supportable without 15 per cent compound earnings growth until at least 1995. Granted, the economy got low interest rates without the threat of inflation after last year's devaluation. That may not be enough once market participants lower their eyes from the blue skies of economic statistics and start to pick through the nitty gritty of company results.



Commercial Union

Commercial Union has a seemingly insatiable appetite for equity. Yesterday's enhanced scrip dividend, which will add 3.5 per cent to shareholders' funds, comes hard on the heels of February's rights call and two preference share issues last year. The saving on advance corporation tax arising from the scrip – and the improving profits trend – will doubtless overcome shareholders' reservations about being asked to supply additional funds so soon. The broader question is whether CU can spend the money wisely.

The rights and preference share issues are already contributing to profits growth. Investment income from the proceeds, together with favourable exchange rates, accounted for half of yesterday's £80m improvement in interim operating profits. That is not to deny the strength of underwriting recovery in the UK, which made up the remainder of the profits increase. Like General Accident, CU has now nosed into underwriting profit on most of its UK personal lines. But CU's premium growth has already slowed from the heady rate set last year, underlining that rights issue provided retrospective backing for business already written.

The slow-down in its drive for market share offers comfort that CU will not plough headlong into the next UK underwriting downturn. With a solvency ratio of around 50 per cent it is hardly awash with capital even after the rights issue. Growth is more likely to come from overseas markets and life assurance. With almost one-third of group premiums already coming from life business, CU already looks more of a hybrid insurer than others in the sector.

SKF

The shares of the world's biggest ball bearings manufacturer are on a roll. Despite a steepening of first half losses to SKr469m, SKF's shares rose a further 3 per cent yesterday as the Swedish stock market warmed to the cyclical recovery story. As a supplier to Europe's engineering and automotive sectors, SKF should be among the first to benefit from any upturn in industrial demand. Moreover, the company will reap further competitive gains from the krona's depreciation against the D-Mark.

There is no doubt, though, that SKF's markets remain severely depressed. The company incurred first half losses of SKr440m from its operations in France and Germany and is tentative about the prospects for improvement. A patchy upturn in the US provides only limited comfort. The worry is that even when demand recovers the easing of competitive pressures will be small. With the likes of Mr Lopez on the prowl at Volkswagen, pricing demands on suppliers are likely to remain intense.

Still, SKF is capable of achieving a large measure of its own financial salvation. Although it may be late in the day in comparison with other Swedish firms such as Atlas Copco, SKF is pushing through a drastic rationalisation programme which will shrink its cost base. The market may be right to believe that the company has turned the corner. But it has to look a long way ahead for those heady expectations to be fulfilled.

France

The second exploratory easing in French overnight lending rates this week highlights how keen the government is to lower the cost of borrowing without jeopardising the remnants of its *franc fort* policy. So far, it has succeeded in steering rates down without undue damage to the franc, helping it recoup foreign currency reserves. However, if the government delays too long in cutting other important rates, such as the intervention rate, it risks losing the initiative. With investors relying on lower rates to underpin surging equity and bond prices, the testy foreign exchange market may again push the franc lower try to to force the government's hand.

Japan

US trade negotiators will hardly like Japan's latest trade surplus. True, when expressed in yen the surplus is not rising. But neither has the yen's appreciation this year significantly dented export performance. On purchasing power measures the yen is very uncompetitive. But political pressure and the failure of Japanese companies or banks to recycle the current account surplus into overseas investment will continue to force the yen higher. Those funds parked in Japan are now flowing into equities at a time when manufacturers are being hurt by recession at home and squeezed margins overseas. The stage is being set for another overvaluation of the Japanese equity market.

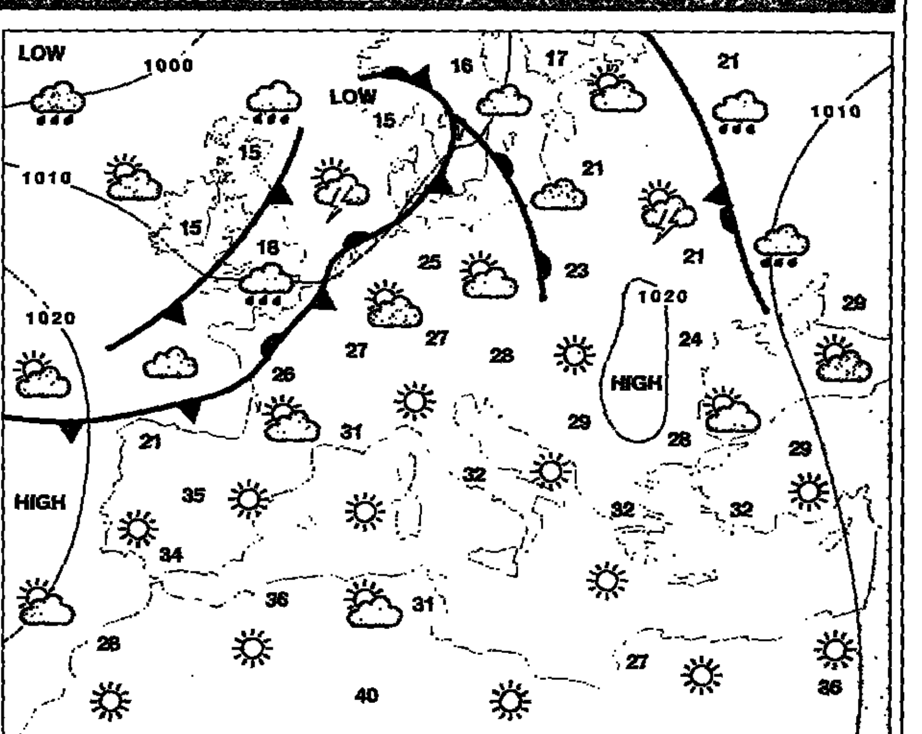
FT WORLD WEATHER

Europe today

A wavering cold front, which has already produced considerable rain over the British Isles, will slowly move towards the continent. It will be cloudy and wet, especially in the south and east of England. Afternoon UK temperatures will be unseasonably cool. The Low Countries will have cloud with outbreaks of rain, possibly with some thunder. North of the Alps, there will be broken cloud with plenty of sun south of the mountains. Low pressure over southern Norway will cause widespread rain in southern Scandinavia. A lingering disturbance will bring patchy rain to the north as well. Central Scandinavia will have a few sunny periods Weak high pressure will keep the Mediterranean sunny and warm with temperatures mainly around or over 30C.

Five-day forecast

It will become more settled in western and central Europe with afternoon temperatures rising by the weekend. Scandinavia will remain under the influence of low pressure with outbreaks of rain until the weekend, when drier and warmer continental air will push northwards. In the Mediterranean, sunny and warm conditions will prevail, although a few thunder showers will erupt.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

Maximum			Belfast	shower	15	Caracas	shower	28	Faro	sun	29	Majorca	sun	33	Reykjavik	rain	13
Celsius			Belgrade	sun	30	Chicago	fair	31	Frankfurt	fair	28	Malta	sun	32	Rio	cloudy	23
Abu Dhabi	fair	44	Berlin	fair	25	Cologne	fair	25	Geneva	fair	28	Manchester	shower	16	Riyadh	sun	43
Accra	cloudy	27	Bermuda	fair	31	D' Salaam	sun	28	Glasgow	shower	15	Manila	shower	30	Rome	sun	30
Algiers	fair	34	Bogota	fair	19	Dakar	fair	31	Hamburg	rain	22	Melbourne	fair	16	S. Frsco	fair	22
Amsterdam	thund	19	Bombay	rain	31	Dallas	fair	38	Helsinki	cloudy	18	Mexico City	hazy	23	Seoul	fair	28
Athens	sun	31	Bordeaux	fair	25	Darwin	sun	31	Hong Kong	shower	31	Miami	thund	31	Singapore	cloudy	31
B. Aires	sun	20	Brussels	thund	22	Delhi	fair	35	Honolulu	fair	31	Milan	sun	31	Stockholm	cloudy	16
B.ham	shower	17	Budapest	fair	28	Dubai	sun	41	Isle of Man	shower	15	Montreal	fair	25	Strasbourg	fair	28
Bangkok	shower	32	C.hagen	rain	20	Dublin	shower	16	Istanbul	fair	26	Moscow	thund	22	Sydney	fair	21
Barcelona	sun	29	Cairo	sun	36	Dubrovnik	sun	31	Jersey	rain	17	Munich	fair	27	Tel Aviv	fair	31
Beijing	fair	31	Cape Town	shower	16	Edinburgh	shower	16	Karachi	fair	31	Nairobi	fair	23	Tokyo	fair	30
									Kuwait	sun	42	Naples	sun	32	Toronto	sun	28
									L. Angeles	fair	26	Nassau	shower	32	Tunis	fair	34
									La Paz	fair	18	New York	cloudy	29	Vancouver	sun	23
									Las Palmas	sun	30	Nice	sun	27	Venice	sun	29
									Lisbon	sun	28	Nicosia	sun	35	Vienna	fair	29
									London	rain	19	Oslo	rain	14	Warsaw	cloudy	25
									Luxbourg	fair	24	Paris	cloudy	24	Washington	fair	30
									Lyon	fair	30	Perth	shower	13	Wellington	fair	14
									Madeira	sun	26	Prague	fair	26	Winnipeg	cloudy	21
									Madrid	sun	35	Rangoon	drzzl	29	Zurich	fair	26

INSIDE

Soaring US imports of CIS aluminium

Imports of aluminium to the US from the Commonwealth of Independent States jumped from under 16,000 tonnes for the whole of 1992 to nearly 80,000 tonnes in the first three months of this year, the US Aluminium Association said. Page 20

Gilts investors get choice

The Bank of England, in a move to widen the appeal of UK government bonds to overseas buyers, is to allow investors to hold and settle gilts using the two international clearing systems, Cedel and Euroclear. Page 14

Schering up on MS drug news

Shares in the German chemicals and pharmaceuticals group, rose sharply on news that its new drug, Betaseron, for treating multiple sclerosis, would yield higher revenues than expected. Page 14

Hoogovens cost-cuts take effect

First-half losses at Hoogovens, the Dutch steel and aluminium group, fell sharply compared with the last six months of 1992, as cost-cutting measures started to take effect in the steel sector. Page 14

Varying results for US stores

Contrasting fortunes in the US stores sector continued to surface when Woolworth reported slim earnings of $2m after tax in the second quarter. Federated Department Stores' results swung from loss to profit. Page 15

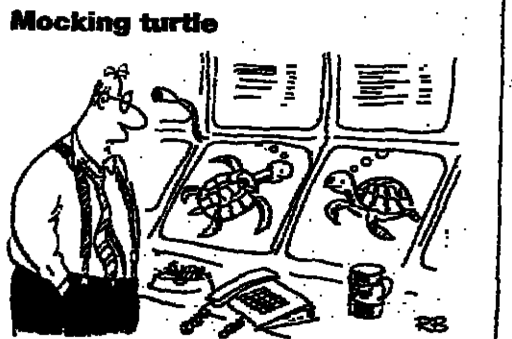
The Equitable rise continues

The US insurer, 49 per cent owned by Axa of France, moved further into profit in the second quarter, despite a $23m after-tax restructuring charge. Page 15

MCI president quits industry

Mr Daniel Akerson, president of MCI, the US long-distance telephone company, is to move to another company outside the telecommunications industry. Page 15

Mocking turtle



If South Korea ever allows foreigners to issue bonds in the domestic market, foreign brokers there suggest they should be called "Turtle Bonds", because, although a symbol of stability to Koreans, says one broker, "it represents the slow pace in opening up the bond market to outsiders". Page 16

Indigestion lingers at APV

APV, the UK company which is one of the world's largest manufacturers of food processing equipment, is still feeling the effects of its 1980s acquisition binge. Last year's pre-tax profits of £21.1m ($31.4m) were a third of those achieved in its peak year, 1989. Page 17

Greece and Turkey move apart

Turkey's rise ran out of steam in July while its neighbour, Greece, moved in the opposite direction. The Turkish equity market fell by 11.6 per cent in dollar terms whereas Greece rose 9.9 per cent. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Rises**			
Rises				Bancaire Cie	597	+	16
Hochtief	1148	+	23	Credit National	1450	+	50
Rosenthal	291	+	16	Paris Rescompt	443	+	17
Schering	926	+	54	Sommer-Allibert	1723	+	83
Falls				Spie Batignolle	414	+	20
Porsche	587	-	12	**Falls**			
Schmalbach Lub	350	-	25	Gal Lafayette	1785	-	45
Verein-West	340	-	12	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Daimei Telecom	1350	+	110
Adv Micro Dev	29⅝	+	1⅛	Nakamichi	615	+	82
Equitable Cos	23½	+	2⅞	Soda Nikka	698	+	58
Falls				Tada	707	+	57
Healthsource	39¾	-	2¼	Toyo Sosetsu	840	+	110
Oxford Health	61⅛	-	9¾	**Falls**			
Ramsay-HMO	26⅞	-	3⅛	Boso Oil & Fat	570	-	50
United Health	54¼	-	5¼				
PARIS (FFr)							

New York prices at 12.30.

LONDON (Pence)				MEPC	493	+	15
Rises				Pearson	488	+	9
ADT	658	+	23	Ricardo	148	+	8
Bnl Gas	328	+	13½	Smith WH A	480	+	15
Cohen (A) A	275	+	35	Stand-Chart	898	+	16
Comm Union	661	+	12	**Falls**			
Domino Print	432	+	23	BICC	435	-	8
Eurotunnel	468	+	12	Johnson & Firth	40½	-	7½
Gonchcwton	33	+	4	Stanley Leisure	243	-	6
Gen Accident	594	+	11	Ward Hldgs	47	-	5
Henderson Admn	980	+	62	Wellcome	845	-	14
Kingfisher	654	+	19				

Canadian Pacific sells Forest stake

By Robert Gibbens in Montreal and Bernard Simon in Toronto

CANADIAN Pacific, the transport, resource and property group, yesterday sold its 61 per cent stake in Canadian Pacific Forest Products, leaving another big Canadian forestry company without a controlling shareholder.

CP raised C$698m (US$545.3m) by selling its 36.7m CP Forest shares to a group of Canadian securities dealers for C$19 per share, payable in three instalments over the next two years. The underwriters immediately offered the shares to the public. Nesbitt Thomson, which led the group, said yesterday that the shares were "very well received".

Mr William Stinson, CP's chairman, said that forest products "no longer fit our core business strategy". He said that while CP Forest would benefit from recovery, "we believe that its markets will remain cyclical and we've decided to realise cash now".

Stinson: wants fewer businesses

CP has indicated it will concentrate on its rail, energy and property interests. It is expected also to reduce its 47 per cent stake in Laidlaw, the waste and transport services operator. "We believe that the best way to grow and to create value is to put our capital to work in fewer businesses," Mr Stinson said. Proceeds from the CP Forest sale will help cut CP's debt.

Other Canadian pulp and paper producers which have recently been spun off by controlling shareholders include MacMillan Bloedel, which was part of the Bronfman group, and Quno, previously owned by the Chicago Tribune.

CP Forest is one of North America's biggest newsprint producers and also a sizeable producer of market pulp and construction timber. It suffered a C$113m loss on sales of C$941m in the first half of 1993.

The company has spent more than US$1bn on modernising its Canadian mills over five years. It recently raised C$230m in cash by spinning off its western Canadian wood products operation into a publicly-held company.

CP Forest shares fell C$1.25 to C$19.25 in Toronto yesterday morning. Canadian Pacific dropped 62 cents to C$21.13.

SKF doubles loss but sees upturn after cost-cutting

By Christopher Brown-Humes in Stockholm

SKF, the world's leading roller bearing manufacturer, said yesterday that losses more than doubled in the first six months of this year, but it added that its performance had started to improve following rationalisation.

The group's loss after financial items was SKr469m ($58.66m), less than expected, compared with a SKr194m deficit in the first half of 1992. Sales rose to SKr14.53bn from SKr14.04bn. Adjusted for currency movements and disposals, they were down 8 per cent.

The group said its second-quarter loss fell to SKr114m from SKr355m in the first three months, because of a drive to cut costs which it launched in 1990. For the same reason SKF expected its second-half results to be better than the first half – providing there was no further deterioration in its markets.

The first-half operating deficit of SKr66m was aggravated by financial costs of SKr403m, mainly caused by the depreciation of the krona and a SKr55m currency loss. In the same 1992 period, the operating loss was SKr46m and financial expenses SKr148m.

The group's main bearings and seals business, which depends on the health of the car and engineering industries, recorded a loss of SKr251m, against a profit of SKr156m.

SKF said it feared the market might not have bottomed out in this sector, even though volumes had remained unchanged for the last three quarters. "The situation is still fragile," it said and highlighted the group's exposure to the recession-hit German market.

Weak industrial output in Germany and France meant SKF recorded a loss of SKr440m in these markets in the first half.

The outlook in other markets is brighter, however. In North America, earnings and volumes picked up in the second quarter, while sales in central and South America and Asia Pacific also developed favourably.

The company's other main business, Ovako Steel, cut losses to SKr224m from SKr319m amid signs that the fall in demand for special steel products was bottoming out and prices stabilising at low levels.

As part of its rationalisation programme, SKF has cut staff by 12,400 since 1990, reduced production by 20-25 per cent in response to lower demand, and cut inventory levels by SKr2bn. Since the start of the year, employee numbers have been fallen 2,000 to 43,000.

SKF shares rose SKr3 to close at SKr115 yesterday.

Lex, Page 12

CU pleases with payout after first-half turnround

By Richard Lapper

COMMERCIAL Union yesterday followed General Accident in announcing a turnround in first-half performance.

CU, the strongest of the five composite insurers, announced pre-tax profits of £65.5m, ($97.6m) compared with a pre-tax loss of £18.1m.

It said it was proposing an enhanced scrip dividend alternative to the interim dividend of 15.10p. This compared with last year's interim pay-out of 8.95p and a final of 16.10p – it was effectively reversing their order. CU added that the enhanced scrip dividend was worth 22.2p.

Investors welcomed both the profits, which were slightly ahead of expectations, and the dividend announcement, marking the shares up 12p to 661p.

Earnings per share amounted to 25.7p, compared with 34.9p. Both figures include realised investment gains.

Like General Accident, which reported its turnround on Tuesday, CU's profit improvement was based on a revival in the UK market, where underwriting losses fell to £56.6m from £95.9m in the first half of 1992.

In home and motor insurance – where rates have been increased sharply in the past two years – CU posted underwriting profits of £13.8m, compared with a deficit of £17.4m.

Losses of £25m from the Bishopsgate bomb in April offset improvement on commercial lines. CU was hit by underwriting losses of £45.9m on its London market – marine and other specialised commercial – business, up from £37.5m last time.

CU is the biggest insurance company in the marine business in London and, like Lloyd's, accounts for results in this sector three years in arrears. Marine and aviation losses reflected poor trading conditions in 1991.

Overall underwriting losses fell to £165.4, compared with £202.2m in the first half of last year. Investment income net of loan interest amounted to £168.9m, against £129.4m.

Earnings from associated undertakings fell to £4.4m (£7m). Life profits amounted to £57.6m (£50.7m). After taxation and minorities of £18m (£5.6m) and realised investment gains of £92.8m (£182.4m), profits attributable to shareholders fell to £140.8m (£158.7m).

Shareholders' funds at June 30 amounted to £1.98bn, up from £1.5bn at the end of December, with the increase reflecting rights issue proceeds of £428m.

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Former bosses may face further legal action, writes **Haig Simonian**

Ferruzzi tells creditors of lower debt

FERRUZZI Finanziaria (Ferfin), the troubled Italian industrial group, reduced total borrowings to L28,838bn ($17.7bn) at the end of May from L31,073bn last December, according to new figures prepared for bankers yesterday.

The new data, presented to Ferfin's foreign bank creditors, came hours after the board of Montedison, Ferfin's main industrial subsidiary, called a shareholders' meeting to consider extending legal action against the previous bosses.

A Milan court is due to rule on Monday on the temporary order granted to sequester L500bn in assets from former Montedison executives and the heirs of Mr Raul Gardini, who shot himself last month. Montedison and Ferruzzi are now run by new managers imposed by Ferfin's main bank creditors.

Montedison said the previous management had included in last year's accounts L243bn in royalties expected from the Erbamont pharmaceuticals subsidiary, sold to Sweden's Procordia in March. These royalties should only have been recognised when they were paid. The previous management had been trying to to reduce 1992 losses of L1,679bn.

Montedison's 1993 accounts will now only show a capital gain of about L98bn from the Erbamont sale, rather than L341bn.

At the bankers' presentation, to be repeated to Italian creditors today, it was emphasised that Ferfin was functioning normally at the operating level.

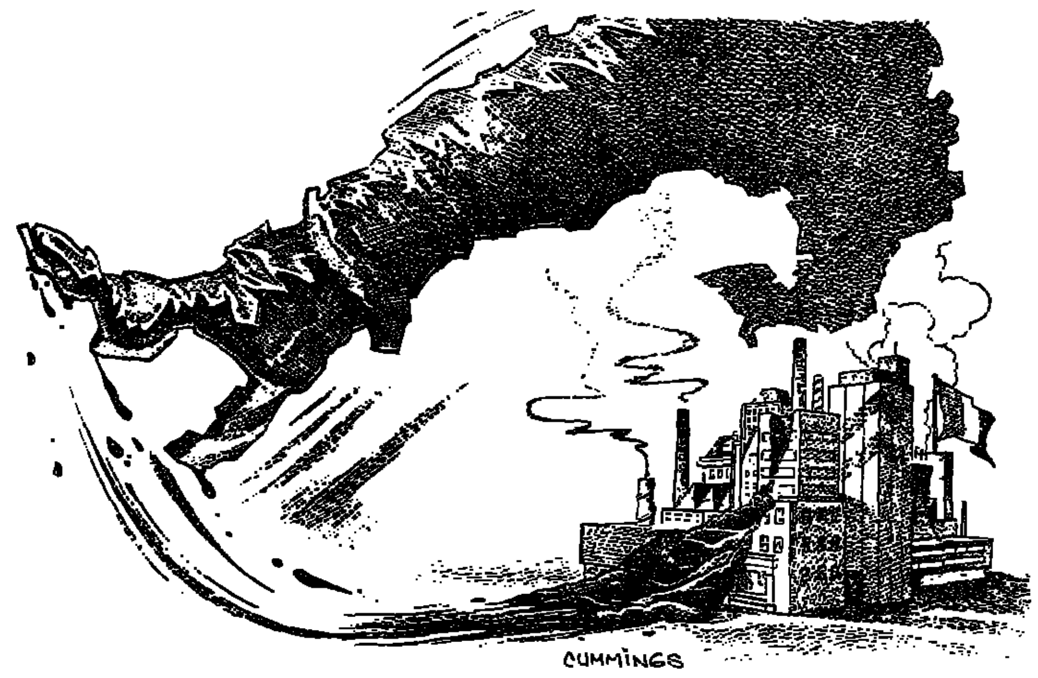
First-half sales had risen 19 per cent to L11,489bn, while gross operating profits jumped 33 per cent to L1,391bn. Adjusted for the lira's devaluation, sales rose 3 per cent and gross operating profits 18 per cent.

Most operations had improved their performance, notably the Edison energy subsidiary. Chemicals had been mixed, while Calcestruzzi (cement and building materials) had suffered a 10 per cent fall in sales to L782bn.

Fondiaria, the insurance company controlled by Ferfin, recovered to a net operating profit of L12bn from a L104bn loss. Premium income rose 13.4 per cent to L2,439bn.

Trading in Ferfin and Montedison shares, suspended on Tuesday, resumes today.

Corporate Italy slips in the mud of scandal



It is open season on business news in Italy. So deep has the 18-month political corruption scandal run that it is possible to write virtually anything about any company – without the hint of a libel action.

Even the most punctilious press officers, once swift to denounce an unflattering headline, are silent. If their companies have not already been implicated, the risk of nasty surprises around the corner is enough to deter any aggression towards the media.

In recent months, the scandal has widened to include many of Italy's most famous companies. Fiat has admitted to paying kickbacks at its bus, railway equipment, gas turbine and construction subsidiaries.

Mr Carlo De Benedetti, chairman of Olivetti, has seen his prestige dive. Just days after declaring that the computers group had never paid bribes, he admitted to Milan magistrates that kickbacks had been paid.

Most recently, attention has switched to Ferruzzi, Italy's second biggest private company, where political corruption and financial mismanagement appear to have gone hand in hand.

Leaked testimony by senior Ferruzzi managers and family members suggests the group, then run by Mr Raul Gardini, who shot himself last month, paid about L135bn ($82.5m) to politicians in connection with the Enimont chemicals joint venture.

The testimony also suggests Ferruzzi operated what amounted to a parallel set of books to cover vast commodity trading losses, deal with takeover finance and even to subsidise the controlling family's lavish lifestyle.

The corruption scandal has focused on contracts with the state. The practice of giving bribes was particularly acute in construction and pharmaceuticals, where the companies involved depended on public sector contracts. However, service industries, such as public relations and advertising, which also won substantial state business, have also been implicated.

Earnings at big building groups, including Fiat's Cogefar Impresit subsidiary and Grassetto, controlled by Premafin, have plunged because of the virtual collapse of new orders.

The scandals have also affected thousands of smaller companies, often dependent on larger counterparts embroiled in the affair. Many small builders, which would normally act as sub-contractors to the big groups accused of paying kickbacks, are now facing bankruptcy.

The pharmaceuticals industry is also in a mess following allegations of bribes to a central committee of academics and civil servants. This body recommended prices and suggested which products should go on the government's list of free medicines.

Corruption has tarnished the image of many of Italy's most famous concerns and affected decision-making at a crucial time of domestic recession and depressed export markets. Fiat, struggling with a collapsing domestic car market, floundered earlier this year while some of its senior executives languished in jail and others extended their foreign "business trips" to avoid interrogation.

Morale has been hit. Fiat was forced to overturn its policy of not co-operating with the magistrates investigating political corruption. Having presented itself as "above" the seedier side of Italian politics, it has been revealed to have played along with the politicians. Its image has also been tainted because its size and prestige should have enabled it to resist the entreaties of rapacious politicians.

Meanwhile, the magistrates' strategy of distinguishing between co-operative company executives and those less willing to spill the beans has contributed to a mood of suspicion and intrigue. Some executives have languished in Milan's decrepit San Vittore jail while under interrogation, others have been kept in more salubrious surroundings.

That differentiation has occasionally led to a rush to testify when magistrates have discovered a new line of inquiry, as in the recent pharmaceuticals revelations. The fear that a competitor might be more willing to co-operate has induced many executives, who remained silent about kickbacks for years, to tell their stories.

The magistrates' psychological tactics have sometimes contributed to an ugly atmosphere within companies. At Ferruzzi, clear signs of internal conflict have emerged in apparent attempts to shift "responsibility" for the alleged misdeeds from one branch of the controlling family to another.

Most surprising, however, is the fact that the scandals have not had much of an impact on the stock market, which has risen almost 30 per cent this year.

The bourse's obliviousness is even more striking in view of the arrest this month of Mr Bruno Pazzi, a retired chairman of Italy's Consob stock market watchdog. It is alleged that Mr Pazzi accepted kickbacks and was secretly on the payroll of Ferruzzi's Montedison subsidiary.

Investors have attached more weight to the prospect of export-led recovery helped by the cheaper lira, interest rate cuts and potential privatisations.

If bourse indices tracked companies' present standing, rather than investors' expectations, they might well paint a different picture.

MS drug boost for Schering shares

By Andrew Fisher in Frankfurt

SHARES Schering, the German chemicals and pharmaceuticals group, rose sharply yesterday on news that its new drug to treat sufferers of multiple sclerosis would yield higher revenues than expected.

The share price rose by DM54, or 6 per cent, to DM926.

The MS drug, Betaseron, was approved by the US Food and Drug Administration at the end of last month, a move which also pushed up the shares. Mr Klaus Pohle, Schering finance director, said in New York on Monday that the drug should yield between $8,500 and $10,000 per patient a year; the figure had been put at around half this.

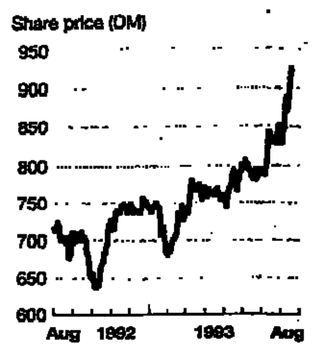
Mr Pohle said Betaseron should produce similar revenues in Europe, where it hoped for approval in 1995.

Betaseron was developed by Triton, a US biotechnology company bought by Schering in 1990. Clinical trials were done by Berlex, Schering's US operation which will market the drug in the US.

Analysts reckoned Betaseron could produce revenues of more than DM1bn ($500m) a year within five years. Mr Mark Tracey, European chemicals analyst at the London office of Goldman Sachs, said actual Betaseron revenues would probably average up to $7,500 a patient after price discounting in the US health service.

He said European revenues could be around $6,000 per person. In the US, he said Betaseron could be used to treat nearly 90,000 MS patients out of a total of more than 250,000, the figure in Europe being 105,000 out of over 300,000.

Schering



Source: Datastream

Alcatel Alsthom revenues fall 7% to FFr73.6bn

ALCATEL Alsthom, the French industrial group, reported first-half 1993 group consolidated revenues down 7.4 per cent to FFr73.6bn ($12.3bn) from FFr79.5bn in the same period a year ago, AP-DJ reports from Paris.

Orders dropped 5 per cent to FFr77bn from FFr81bn in the same period of 1992.

Telecommunications revenues dropped 10 per cent to FFr33bn from the same period of 1992, while those from telecommunications and energy cables dropped 3.7 per cent to FFr17.2bn. Energy and transport sales fell 5.6 per cent to FFr13.1bn, while electrical engineering sales dropped by 0.6 per cent to FFr7.7bn.

Batteries sales gained 7 per cent to FFr1.8bn, and services advanced 2.4 per cent to FFr3.3bn.

NEWS IN BRIEF

● Mounting losses look set to force Fried. Krupp to move production at its automotive suspension unit Hoesch-Federn out of Germany, Krupp's automotive division said, Reuter reports from Bochum. Krupp said high costs, increased competition and the difficult situation for all car components suppliers would cause significant losses at the unit in 1993.

● Thomson-CSF, the French defence electronics group, recorded a 5.5 per cent fall in consolidated revenue in first-half 1993 to FFr13.94bn ($2.3bn) from FFr14.76bn in first-half 1992, AP-DJ reports from Paris.

Novo Nordisk earnings off 16% due to foreign exchange losses

By Hilary Barnes in Copenhagen

FOREIGN exchange losses marred the first-half performance of Novo Nordisk, the pharmaceuticals and enzymes manufacturer. Pre-tax profits fell by 16 per cent to DKr788m ($113.34m) from DKr941m in the same period last year.

Sales advanced 6 per cent to DKr5.73bn from DKr5.38bn, while profits before financial items were down by 3 per cent to DKr864m from DKr887m, according to the group's first-half interim statement.

But DKr160m in foreign exchange losses contributed to converting net financial income of DKr54m last year to a net loss this year of DKr74m.

With estimated corporate income tax down by 34 per cent, however, net profits fell by 8 per cent to DKr595m from DKr649m. Earnings per share slid to DKr15.87 from DKr17.42.

The pre-tax profit figure was in line with expectations by Copenhagen brokers.

The currency turmoil is only expected to have a minor impact on the group's annual result. The board repeated its forecast from the 1992 earings statement that it will not be possible this year to live up to the target growth of an annual increase in pre-tax income of 15 per cent.

The group continued to carry out a substantial programme of investment in new plant, taking first half capital expenditure to DKr1.2bn from DKr800m last year.

Bank of England in gilts settlement talks

By Sara Webb in London

THE BANK of England, in a move to widen the appeal of UK government bonds to overseas buyers, has said it will allow investors to hold and settle gilts using the two international clearing systems, Cedel and Euroclear.

At present, investors have to settle gilts through the Bank of England's Central Gilts Office. However, discussions are taking place between the Bank, Cedel and Euroclear to establish a link with the CGO, allowing investors to hold and settle gilts through Cedel and Euroclear.

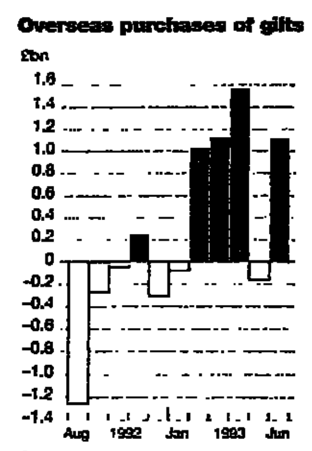
For international investors with a range of European government bonds and Eurobonds in their portfolios, it may be more convenient to keep all their holdings under one roof and settle in one currency.

The CGO provides an efficient electronic system for investors to hold stock, and allows institutional investors or gilt-edged marketmakers who have accounts there to transfer UK government stock easily. The CGO was set up by the Bank in 1986, the year of Big Bang, in order to provide investors with a speedy settlement system.

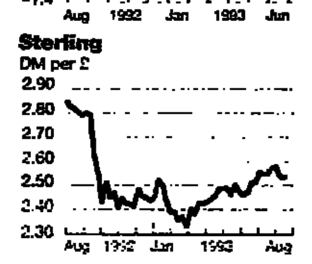
Investors argue that if they want, for example, to move out of UK gilts and switch the proceeds into French or German government bonds, it is more convenient to do so using one system – whether that be Cedel or Euroclear.

Government bonds, Page 16

Overseas purchases of gilts



Sterling



Hoogovens trims losses in first half after cuts

By Ronald van de Krol in Ijmuiden

FIRST-HALF losses at Hoogovens, the Dutch steel and aluminium group, fell sharply compared with the last six months of 1992, as cost-cutting measures started to take effect in the steel sector.

The improvement came despite continued difficulties in aluminium, where Hoogovens is being hit by cheap imports from the former Soviet Union.

Losses including extraordinary items were Fl 189m ($97m), up from Fl 49m a year earlier but down from Fl 546m in the 1992 second half. The company had previously predicted that the net loss excluding extraordinary items would be unchanged from the last six months of 1992.

Extraordinary charges were Fl 25m compared with Fl 363m in the 1992 second half. Turnover was down 9.5 per cent at Fl 3.5bn.

In its first forecast for the second half, Hoogovens said losses on normal business operations would fall even though aluminium was unlikely to improve.

The news sent the company's shares – which have surged recently along with other cyclical Dutch shares – up Fl 4.80 to close more than 10 per cent higher at Fl 51.30.

Losses in steel, before tax or extraordinaries, were more than halved to Fl 70m from Fl 158m in the 1992 second half but were down only slightly from Fl 76m in the 1992 first half.

Mr Maarten van Veen, chairman, said Hoogovens was one of the few leading European steel groups to have raised steel output. But the product mix had also shifted in favour of lower-margin semi-finished steel.

The company said yesterday that it planned to raise prices for finished steel in October and January, on top of increases in April and July. Nevertheless, prices remained well below their 1991 peak.

Japanese consumers are now looking for value

Emiko Terazono finds spending patterns changing

MR Higuchi, president of Kawachiya, one of Japan's first liquor discount retailers, says his warehouse-like stores get so crowded at weekends that he has to close the shutters.

Kawachiya's success is an example of the change in consumer attitudes as the downturn in the Japanese economy has hit the purses of ordinary Japanese.

The burst of the asset bubble of the late 1980s and the spate of corporate restructurings have sobered consumers, who are going back to basics. Boxes of beers and bottles of whisky at a 30 per cent discount to the normal retail price have an obvious attraction.

Department store sales have dropped sharply as consumers' spending has turned towards value-orientated products. Department store sales fell a record 8.9 per cent in June, slipping for the 16th consecutive month.

On the other hand, sales and profits at discount retailers have surged. Kawachiya, which is unlisted, says its sales have grown by about 30 per cent for the past three years, and expects annual sales to double this year to Y15bn ($143m) due to the launch of new stores.

Analysts predict that such changes in consumer spending patterns are here to stay. Mr Paul Heaton at Baring Securities in Tokyo says: "Even if the economy recovers, consumers won't be going back to department stores." Until the mid-1980s, cheap prices meant poor quality while buying expensive goods at department stores has been a guarantee for quality and service.

YEAR-ON-YEAR RETAIL SALES GROWTH

	Department store sales (%)	Discount & specialty store sales (%)
1987	4.8	12.3
1988	6.9	24.8
1989	7.1	21.8
1990	7.7	13.8
1991	3.6	28.6
1992	-3.3	17.2
1993	-6.1	17.2*

Discount store sales figures are a total of six listed discount and specialty stores
**First six months only*

Japanese consumers are given choice of buying quality goods at discount prices without the frills. Aoyama Trading, which offers office workers' uniform blue suits at one-third of the price of department stores, has seen profits surge, posting a 11.8 per cent rise in pre-tax profits to Y30.2bn for the year to last March on a 29.3 per cent increase in sales to Y150.9bn. For the year to next March, it predicts a 15.8 per cent rise in pre-tax profits and a 29.2 per cent sales increase.

A recent survey by the Nikkei business daily indicated that 80 per cent of 115 consumers surveyed bought electric appliances at specialty discount retailers and none went to department stores.

The country's discount retailers have also received a boost from stricter enforcement of the anti-monopoly law by the Fair Trade Commission, the anti-monopoly watchdog. Japanese manufacturers have traditionally had a tight grip on retail prices, often threatening to stop shipments if the retailer failed to apply the "suggested retail price" set by the manufacturer.

However, in 1990 the FTC set strict guidelines against price control and discount retailers have since acquired the mainstream image. "I received death threats and was boycotted by distributors when I started discounting liquor," recalls Mr Higuchi.

Japanese beer companies announced that retailers were free to set their own prices in 1990. Earlier this year, sales subsidiaries of leading electronics companies, including Matsushita Electric Industrial and Sony, were warned to allow retailers to discount their products without fear of losing supply contracts.

Last year, last year took a pharmaceutical company, which cut shipments after Kawachiya started discounting its pep drink, to the FTC. Last week, he filed a complaint with the commission that Shiseido, a leading cosmetics company, had cancelled its contract after he had rejected Shiseido's pleas to stop discounting its luxury brands. The cosmetics maker says shipments to Kawachiya were cancelled because the retailer had been wholesaling Shiseido products.

Mr Higuchi reckons there is further scope for discount retailers to grow as an increasing number of Japanese consumers become value orientated. But he adds consumers need to be given choice, and the country's distribution system has to adapt to changing values. "Where else are consumers made to pay extra to support distributors and small retailers?" he asks.

Norgeskreditt profits ahead at halfway

By Christopher Brown-Humes in Stockholm

NORGESKREDITT, Norway's largest private-sector mortgage company, increased profits before tax to NKr148.9m ($20.02m) in the first six months from NKr66.6m in the same 1992 period.

The company said it had been helped by the fall in Norwegian interest rates. Higher net interest income and gains on bond and share trading more than offset an increase in loan losses, it stated.

Net interest income rose to NKr150.7m from NKr105.3m, while gains from securities amounted to NKr51.8m, compared with a NKr1.2m loss in the first half of 1992.

Loan losses increased to NKr28.0m from NKr[illegible]. The company said it held 12 repossessed commercial properties, as at June 30, with a book value of NKr38.1m.

Norgeskreditt won shareholder backing for its plan to become a commercial bank in April.

Contrasting fortunes for US stores

By Nikki Tait in New York

CONTRASTING fortunes in the US stores sector continued to surface yesterday when Woolworth, the large general merchandise and specialty store chain retailer, reported slim earnings of $2m after tax in the second quarter.

Federated Department Stores, however, saw results for the same quarter swing from a loss to profit.

Woolworth's $2m net profit in the three months to end-July compared with a $33m surplus in the same period of 1992, and was reached on sales of $2.28bn, little changed from last time's $2.23bn.

The result took earnings for the first half to $3m after tax, compared with $50m at the same stage in 1992-93.

The sources of Woolworth's second-quarter decline were the general merchandise and specialty stores. The former posted an operating loss of $4m, against a $21m profit a year ago, with sales declining by 1.2 per cent.

Specialty stores remained profitable at the operating level, but saw a decline from $67m to $37m. Sales rose by 7.4 per cent.

Yesterday, Woolworth painted a dismal picture for the remainder of the year.

"Weak economic conditions and low consumer confidence in the major markets in which we do business continue to depress sales and gross margins, making it unlikely that there will be a year-to-year increase in earnings," said Mr William Lavin, chairman.

By contrast, Federated Department Stores, which emerged from bankruptcy in early 1992, reported an $8.9m profit after tax in the second quarter, up from a $15.8m loss (before extraordinary items) in the same period last time.

Sales rose from $1.46bn to $1.5bn, and profits after tax but before extraordinary items for the first six months now stand at $30.6m, compared with last time's $4m loss.

Federated said that it had "slightly" exceeded profit expectations in the quarter and first half, and attributed this to "fresher inventories, better merchandise assortments, improved expense controls and enhanced operating efficiencies".

Mr Allen Questrom, chairman, noted that the company had continued to take extra second-quarter discounts in merchandise in order to keep goods in the stores looking "fashion-current".

He added that Federated had been able to offset the earnings effect of this by expense reductions, but stressed the rate at which the expense-to-sales ratio was improving was unlikely to continue through the autumn season.

Second-term advance to $33m at The Equitable

By Richard Waters in New York

THE EQUITABLE, the US insurer 49 per cent-owned by Axa of France, moved further into profit in the second quarter, in spite of a $23m after-tax restructuring charge.

Net income at the group, which reported losses between 1990 and 1992, rose to $72m, compared with $31.8m in the first quarter and a loss of $31.1m a year ago.

The core insurance business made an after-tax profit of $33m – before investment gains and losses on disability insurance – compared with a $21m net profit in the first three months.

The company attributed the improvement to lower expenses, wider product spreads and improved mortality experience.

After losses from disability insurance of $19.5m ($10.4m a year ago) and investment gains of $5.3m (an $11.3m loss in the 1992 quarter), net profit was $18.7m, compared with a $44.9m loss the year before.

The company's investment management arm and its investment bank, Donaldson Lufkin & Jenrette, both advanced, before the restructuring charge related to the combination of The Equitable and Alliance investment management businesses.

"Earnings from this segment during the second half should benefit from the absence of non-recurring merger expenses, significant cost savings generated by The Equitable Capital/Alliance combination, as well as from anticipated strong asset growth at Alliance," said Mr Richard Jenrette, chairman and chief executive.

Yield on investments climbed during the quarter to 7.64 per cent, from 7.5 per cent a year before.

Half-year net income was $79.3m, or 37 cents a share fully diluted, compared with a loss of $22.5m a year earlier (before costs associated with its switch from a mutual organisation to a public company).

MCI president Akerson quits telecoms industry

By Richard Waters in New York

MCI, the US long-distance telephone company, yesterday announced the loss of its president, Mr Daniel Akerson, to another company outside the telecommunications industry.

Mr Akerson, 42, had been appointed to the position of president and chief operating officer only last year.

He had won the support of Wall Street for his hard-driving and ambitious attitude and for the agreement to bring in British Telecommunications as a minority shareholder in June.

Analysts said Mr Akerson's departure resulted in part from the fact that his path to the top at MCI is blocked for the foreseeable future.

Mr Bert Robbins, the chairman and chief executive with whom Mr Akerson has worked closely since joining the company 10 years ago, is 51 and not expected to move aside soon.

There was also speculation that the planned appointment of three BT directors to the MCI board would make Mr Akerson's position more difficult. However, Mr Robbins pointed out the Mr Akerson had been closely involved in the BT deal and had supported the board changes.

Mr Robbins put the move down to the opportunity and the strong financial package which had been offered Mr Akerson in a different company. He refused to say where Mr Akerson was moving, though an announcement was expected later yesterday in New York.

He denied that there had been a rift with Mr Akerson. "The relationship between Dan and the company, and between Dan and myself, could not have been stronger," he said. MCI plans to consider both internal and external candidates to replace Mr Akerson.

The news wiped $⅞ off MCI's share price, though the shares quickly recovered and by midday were trading only $¼ lower on the day, at $27.¼.

● McCaw Cellular Communications and PacTel, a unit of Pacific Telesis Group, have received regulatory approval to combine their interests in San Francisco, San Jose, Dallas, and Kansas City, and Kansas, into a 99-year joint venture.

McCaw and PacTel said they would each have equal ownership of the venture. In addition, PacTel will purchase McCaw's Wichita and Topeka, Kansas, systems, whose licensed area covers a population of 614,000, for $100m.

SA copper producer's profits fall

By Philip Gawith

PALABORA Mining, the copper producer in the RTZ group, saw net profits fall to R88.7m ($26.3m) in the six months to June from R106.8m in the same period of 1992. The result was, however, higher than forecast.

Turnover at the north-eastern Transvaal mine fell to R520.4m from R534.4m and operating profit was 20 per cent lower at R161.4m, against R202.1m. Net profit was boosted by a R10.6m extraordinary item, the result of tax changes. The 1992 results included a similar figure.

The company said the results were affected by reduced sales of copper cathodes, due to lower production, offset partly by a slightly weaker rand.

The average copper price for the year to date was R6,692 per tonne, compared with the 1992 level of R6,434 per tonne.

Lower production was due to reduced ore grades and inventory movements. Copper sold, including metal in concentrates, was 59,492 tonnes, 10,077 tonnes below last year's sales of 69,569 tonnes for the same period.

The company is looking at whether it will be feasible to operate an underground mine when the open pit life comes to an end after the turn of the century. The study is due to be completed in 1994.

Sunbop holds year's earnings

By Philip Gawith in Johannesburg

SUN International Bophutatswana (Sunbop), the South African hotel, leisure and gaming group, maintained earnings at 192 cents per share in the year to June against a backdrop of difficult trading conditions.

The results include seven months' performance from the Lost City development, completed last year at a cost of about R830m ($246m) and , for the first time, a full year's income from the Carousel entertainment complex.

All of Sunbop's hotels and gaming facilities, which include the Sun City resort, are in the Bophutatswana homeland.

Turnover for the year rose by 18 per cent to R1.18bn and operating profit was 11 per cent higher at R299.1m, against R270.2m. The financing of the Lost City project, however, caused the interest bill to jump from virtually nothing in 1992 to R30.3m. As a result, pre-tax profit fell slightly to R268m from R270m. A lower tax bill helped attributable profit rise by 6 per cent to R228m.

The dividend was maintained at 132 cents per share on earnings of 192 cents, compared with 191 cents.

Mr Sol Kerzner, chairman, said that despite the "extremely poor trading environment, aggravated by socio-political unrest and competition from illegal casinos in South Africa", the group had managed an average occupancy rate of 70 per cent.

This is below the 73 per cent achieved in 1992, but still well above levels its competitors are achieving. Occupancy at the new Palace hotel has averaged 75 per cent since opening.

Mr Kerzner said predictions were difficult in the current climate, but he expected earnings in 1994 to at least match those of the past year.

Boral plans to float division

By Bruce Jacques in Sydney

BORAL, the Australian industrial products company, plans to float its manufacturing division by the end of 1993.

Mr Jim Leslie, chairman, said yesterday he expected the proceeds to substantially exceed the book value of the division's assets.

The balance sheet asset valuation of Boral's manufacturing division at June 1992 was A$336.7m (US$230.8m), but this included the engineering and tyre divisions which will not be part of the sale.

Mr Leslie said the move follows a corporate restructuring completed in July. He added that Boral intended to focus on its core building products and energy businesses.

The manufacturing businesses had combined sales of A$280m in 1991-1992 and earnings before interest and tax of A$32.8m.

Mr Leslie said Boral was well advanced with the float plan, although a corporate sale remained an option.

The division includes some leading brands including Gerrard springs, Kinnears ropes and Cyclone hardware, with operations in Australia, New Zealand and Singapore.

Mr Leslie said Boral would release its 1992-1993 corporate results on September 1 and he expected the 12.7 per cent increase in net earnings for the December half to be exceeded for the full year.

Shareholders challenge $6bn Medco takeover

By Richard Waters

TWO CLASS actions have been launched in an attempt to block the proposed $6bn takeover of Medco Containment Services, the US's biggest drugs distributor, by Merck, the pharmaceuticals company.

The actions, launched in Delaware on behalf of Medco shareholders, allege "various violations of fiduciary duty, including failure to make adequate disclosures, failure to explore adequately other forms of business alliance, improper fees payable to certain executive officers and unfairness in the structure of the merger," Medco said.

Mr Martin Wygod, Medco's chairman, will personally receive a fee on the consummation of the deal equal to 1 per cent of the value, or $60m, an arrangement which was approved by Medco's board.

Medco also said it and several other pharmaceutical companies and drug wholesalers faced legal action in California alleging price discrimination.

It said it intended to defend all the suits vigorously, and that it did not believe any of them would have a material adverse impact on its business.

HK Electric climbs 13%

HONGKONG Electric, the monopoly supplier of electricity to Hong Kong island, announced profit attributable to shareholders of HK$1.3bn (US$167m) for the six months to June 1993, up 13 per cent from the 1992 figure, writes Simon Davies in Hong Kong.

The company, 35 per cent owned by Mr Li Ka-shing's Hutchison Whampoa, received a HK$112m pre-tax contribution from sales of property in its South Horizons development.

Turnover increased by 11 per cent to HK$2.6bn at the interim stage. cent

St Lawrence Cement hit by construction slowdown

By Robert Gibbens in Montreal

ST Lawrence Cement, controlled by the Swiss Holderbank group, continued to be affected by the recession and slowdown in eastern Canada construction.

Second-quarter net profit was C$505,000 (US$391,000), or 1 cent a share, against a loss of C$4.4m, or 10 cents a share, a year earlier, on sales of C$131.5m, up 3.8 per cent. The first-half loss was C$13.8m, or 32 cents, a 30 per cent improvement on the C$19.7m loss a year earlier. Sales were C$189m, up 5.2 per cent.

St Lawrence, eastern Canada's biggest cement producer and a leading supplier in the north-eastern US, has cut costs 10 per cent this year.

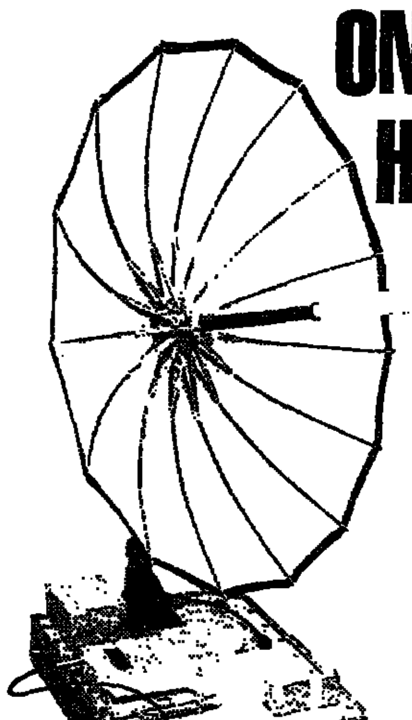
"The outlook is more encouraging than at the start of the year," said senior vice-president Mr Guy Turgeon, "and rationalisation will contribute to improving results."

US healthcare jobs to be cut

JOHNSON & Johnson, the US healthcare group, has launched a voluntary early retirement programme and estimates at least 1,000 workers would accept the offer, Reuter reports.

The company said another 2,000 jobs would be cut through restructuring in both the US and overseas.

It added that the cost of the cuts would be $200m pre-tax and was covered in a previous adoption of an accounting change.



INTERNATIONAL CAPITAL MARKETS

Seoul still cautious towards foreign issuers

John Burton reports on the slow pace of bond market liberalisation in South Korea

IF South Korea ever allows foreigners to issue bonds in the domestic market, foreign brokers there suggest they should be called "Turtle Bonds".

The turtle is a symbol of stability to Koreans, but the name was suggested for a very different reason. "It represents the slow pace in opening up the bond market to outsiders," explains one broker.

The South Korean bond market is the second-biggest in Asia, with a total market capitalisation of Won95,100bn ($118bn), exceeding the size of the country's stock market.

It could offer great potential to foreign investors since domestic interest rates are high, with guaranteed three-year corporate bonds offering a 13.4 per cent yield, but the government is committed to gradual liberalisation and refuses unlimited foreign access to the bond market, according to its recent five-year (1993–1997) financial reform plan.

Activity in the bond market is brisk since Korean companies face restrictions in raising capital abroad.

New corporate bond issues this year may exceed the 1991 peak of Won12,741bn. Bond issues during the first half of 1993 reached Won8,140bn, a 77 per cent increase from a year ago. The 10 largest conglomerates, or *chaebol*, account for 34 per cent of this year's issues.

But foreigners wanting to acquire *chaebol* bonds will only be able to do so indirectly, by buying bond-type beneficiary certificates beginning in 1995.

Instead, the government wants them to purchase bonds issued by small and medium businesses as part of its strategy to promote the restructuring of industry, now dominated by the chaebol.

Foreigners will be allowed to buy convertible bonds issued by small and medium companies next year, although they may face restrictions on the amount purchased. In 1997, unguaranteed, long-term bonds issued by small companies will be open to direct foreign investment.

From next year, foreigners will also be allowed to purchase some government and public bonds in the primary market. But these bonds will pay less interest than prevailing rates in the domestic market since they will be pegged to lower international rates.

Government bonds account for 15.7 per cent of the market, with the state planning to issue Won11,000bn this year, against Won8,548bn in 1992. Corporate bonds represent 32.7 per cent, financial bonds 28 per cent, and monetary stabilisation bonds, used to soak up excess liquidity in the money markets, 15.6 per cent.

International organisations, such as the Asian Development Bank and the World Bank, will be the first foreign entities allowed to float Won-dominated bonds on the domestic market, beginning in 1995.

The government claims the reforms represent progress in liberalising the market but foreign brokers are more sceptical, noting several problems.

Government bonds with lower international yields may not attract much interest since they will deprive foreigners of the returns promised by higher domestic rates.

The lack of credit analysis of small and medium companies may also discourage foreign investors, particularly in unguaranteed long-term bonds. That problem, however, may be partly resolved through bond portfolio funds, which could spread risk.

The rationale for government caution is that a rapid opening of the market could lead to higher inflation and a rise in the value of the Won.

"The complete opening of the bond market to foreign investors will only occur when the government is willing to accept full liberalisation of foreign exchange controls," said Mr Edward Kim of Korea Development Securities.

Government anxiety about the effects of foreign capital inflows into South Korea have side-tracked promised attempts to deregulate the state-controlled financial system.

However, there is optimism that the changes will be introduced on schedule this time because the government is implementing measures to prepare the bond market for foreign investors.

It is seeking to improve the market's infrastructure by encouraging secondary trading on the Korea stock exchange rather than on the over-the-counter market, which accounted for 98.8 per cent of the Won915,771bn in bond trading volume in 1992. An initial step will be a prohibition on the trading of convertible bonds outside the KSE.

In addition, the Korea Securities Dealers Association has recently established a computerised system to provide traders with information on bond prices and yields.

Daily Mail wins tight terms on convertible

By Antonia Sharpe

STRONG expectations of a further cut in UK interest rates, and a buoyant stock market, enabled the Daily Mail and General Trust, the UK newspaper group, to secure favourable terms on its fourth bond issue exchangeable into ordinary shares in Reuters Holdings.

Lead-manager Credit Suisse First Boston said the Daily Mail's £50m offering was the first convertible bond issue to carry a coupon of less than 6 per cent. Holders of the 10-year bonds will receive 5¾ per cent a year.

The borrower was also able to set a conversion price of £19.18 for each share in the international financial information and news group. This represents a 27.02 per cent premium to shares in Reuters at pricing, well above the 19 per cent premium set in National Power's £250m convertible bond issue last week.

Investors were attracted by the shorter-than-usual maturity of the Daily Mail's bonds and snapped up the relatively small amount on offer. The bonds traded at a 1¼ point premium to their par issue price in the afternoon. Reuters shares closed down 19p at £15.05 against a rising market.

Mr Adrian Perry, the Daily Mail's group treasurer, said this method for reducing the group's holding in Reuters was the most economical, due to the potential gain on the share price and the possibility of deferring any tax liability.

Before yesterday's transaction the Daily Mail had a 3½ per cent stake in Reuters; it would be left with slightly less than 1 per cent if all outstanding bonds were converted.

The Daily Mail intends to redeem the outstanding £14.48m of its 8¼ per cent bonds due in 2003, exchangeable into Reuters shares, on September 26.

Abbey National, the UK bank, took advantage of strong Italian bond prices to raise a further L50bn by re-opening its L150bn seven-year Eurobond offering, launched on July 30. The high coupon of 10 per cent reflected the call option on the bonds, lead-manager J.P. Morgan said.

The net price of the new tranche was 102.30, against a net price of par on the original amount. The bonds traded around 103 in the afternoon. The funds were raised for Abbey National's Italian subsidiary. Abbey National also made a SFr150m three-year bond offering, the proceeds of which were swapped into dollars.

Bayernhypo, the Bavarian mortgage bank, was the third German bank this week to borrow D-Marks. The break-even price on its five-year offering was 99.10 and the bonds traded at 99.33 in the afternoon.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Continental Bank Corp.(a)‡	50	(a)	99.75	Aug.1998	0.25	-	Merrill Lynch Intl.
D-MARKS							
Bayernhypo Finance, Neths.	500	6	101.1	Sep.1998	2	-	Bayerische Hypobank
STERLING							
Daily Mail & General Tst.(b)§	50	5.75#	100	Sep.2003	2.5	-	CSFB
FRENCH FRANCS							
Crédit Foncier de France(c)	750	6.75	101.25R	Jul.2003	0.325R	+26 (6¾%-03)	CCF/ SBC France
YEN							
CCF (Luxembourg)(d)‡	5bn	(d)	100.25R	Dec.1998	0.25R	-	Mitsubishi Finance Intl.
CANADIAN DOLLARS							
Sth.Australian Govt.Fin.Auth.	100	7.375	98.6R	Oct.2003	0.35R	+50 (7¼%-03)	Hambros Bank
ITALIAN LIRA							
Abbey Natl.Treasury Servs.(e)	50bn	10	104.175	Aug.2000	1.875	-	JP Morgan
SWISS FRANCS							
Abbey Natl.Treasury Services★	150	4.5	101.75	Sep.1996	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Issue launched on 20/7/93 was increased to $200m. Coupon pays 3-month Libor + 0.5%. Callable at par on interest payment dates from August 1995. b) Exchangeable into Reuters Holdings ordinary shares at £19.18. Callable from 9/10/98 at par or earlier if 85% of the bonds are converted. c) Fungible with the outstanding FFr3bn. Plus 53 days accrued interest. d) Coupon pays 6-month Libor - 0.38%; minimum 4% for 2 years and 3 months, maximum 6%. Short 3 month 1st coupon pays 3-month Libor - 0.38%. e) Issue launched on 30/7/93 was increased to L200bn. Callable at par on coupon payment dates from 24/8/95.

Gilts race ahead on back of inflation forecasts

By Sara Webb in London and Karen Zagor in New York

THE UK government bond market raced ahead on the back of the Bank of England's *inflation forecasts*, and even the announcement of £1.2bn in new supply failed to dampen the market's high spirits.

The Bank's quarterly report provided welcome news on the inflation front for the gilt market. The Bank said underlying inflation was likely to stay below the Treasury's ceiling of 4 per cent over the next two years.

GOVERNMENT BONDS

In addition, news of a half-point cut in French interest rates yesterday morning fuelled hopes of a further cut in the UK base rate. Dealers reported healthy buying interest from European investors.

The Liffe gilt futures contract rallied from Tuesday's close of 112.01 to reach a high of 113.05, but ended the day at 112.29.

The market's strength allowed the Bank to sell the remainder of two of the gilt tranches announced last Friday – a £1bn tranche of 8.5 per cent Treasury stock due 2007 and a £200m tranche of 2.5 per cent index-linked gilts due 2024.

With both tranches out of the way, the Bank announced a further £1.2bn of assorted gilt issues for sale, consisting of: £200m of 7.25 per cent bonds due 1998; £200m of 8 per cent gilts due 2003; £200m of 7.75 per cent stock due 2006; £200m of 8.75 per cent stock due 2017; and £400m of 2.5 per cent index-linked gilts due 2020.

■ A HALF-POINT cut in French interest rates, and speculation that other European central banks would follow suit shortly, helped spur a strong rally across continental Europe yesterday with the high-yielding markets of Spain and Italy enjoying the biggest gains.

The Banque de France cut its 24-hour lending rate by 50 basis points to 9.25 per cent, and the prospect of further interest rate cuts pushed the French bond market to a record high. The September futures contract on the Matif settled at 122.64, up 0.36.

German government bonds rallied, with the Liffe futures contract rising from its opening level of 97.38 to reach a high of 97.60 before drifting lower to close around 97.46.

■ A SOARING yen coupled with strong domestic demand and strong bond markets in the US and Europe, provided a boost for the Japanese debt market.

The September futures contract opened at 111.77 and reached a new high of 112.01. Meanwhile, the December futures contract, which has taken over as the key contract, moved from 111.04 at the opening to reach a high of 111.37 before closing at 111.20.

The yen strengthened to a record Y103.55 to the dollar in London trading, which economists point out should make it easier for the Bank of Japan to ease interest rates.

■ US TREASURY prices were flat to slightly lower yesterday morning in thin, featureless trading as the market waited for the afternoon auction of $11bn in 10-year notes.

By midday, the benchmark 30-year government bond was ⅛ lower at 108⅔, yielding 6.453 per cent. At the short end of the market, the two-year note held steady to yield 4.063 per cent.

Although last week's $16.67bn three-year note auction was considered to be reasonably successful, the market remained nervous following the Treasury's recent decision to reduce the long-bond issue in the last leg of the quarterly refunding auctions.

Investors were also preoccupied with the release of July producer prices today and consumer prices on Friday.

The Federal Reserve refrained from operating in the open market when Fed Funds were trading at 2⅞ per cent, slightly below the Fed's perceived target of 3 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.2248	-0.165	6.82	6.81	7.15
BELGIUM		9.000	03/03	113.1000	+0.100	7.07	7.08	7.07
CANADA *		7.500	12/03	103.8390	-0.315	6.97	7.05	7.14
DENMARK		8.000	05/03	108.7500	+0.250	6.74	6.82	7.06
FRANCE	BTAN	8.000	05/98	109.4747	+0.254	5.65	5.71	6.23
	OAT	8.500	04/03	115.2600	+0.520	6.34	6.47	6.8
GERMANY		6.750	04/03	102.9200	+0.200	6.33	6.43	6.55
ITALY		11.500	03/03	108.4400	+0.985	10.19†	10.54	11.07
JAPAN	No 119	4.800	06/99	104.5151	+0.099	3.60	3.82	4.03
	No 145	5.500	03/02	109.1507	+0.449	4.07	4.18	4.30
NETHERLANDS		7.000	02/03	105.9800	+0.280	6.14	6.22	6.42
SPAIN		10.300	06/02	104.7363	+0.718	9.47	9.62	10.26
UK GILTS		7.250	03/98	103-29	+15/32	6.28	6.47	6.66
		8.000	06/03	107-29	+3/32	6.88	7.23	7.49
		9.000	10/08	115-05	+10/32	7.33	7.67	7.92
US TREASURY *		6.250	02/03	103-07	-3/32	5.80	5.81	5.73
		7.125	02/23	108-25	-4/32	6.48	6.53	6.63
ECU (French Govt)		8.000	04/03	108.0500	+1.120	6.83	7.14	7.17

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT FIXED INTEREST INDICES

	Aug 11	Aug 10	Aug 9	Aug 6	Aug 5	Year ago	High *	Low *
Govt.Secs.(UK)	101.93	101.05	100.83	100.39	99.97	88.06	101.93	93.28
Fixed Interest	122.31	121.63	121.44	121.18	120.32	104.29	122.31	108.87

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 122.31 (11/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 10	Aug 9	Aug 6	Aug 5	Aug 4
Gilt Edged Bargains	117.4	123.7	139.6	141.0	125.0
5-Day average	129.4	142.9	142.9	142.5	138.2

* SE activity indices rebased 1974

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9½ 94	200	104¾	105¼	+⅛	4.04
Alberta Province 9⅜ 95	600	109⅜	110⅛		4.61
Austria 8½ 00	400	114¼	114⅝		5.78
Bank of Tokyo 3⅜ 96	100	107⅝	108⅜	-⅛	5.19

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.49
Genfinance Lux 9⅛ 99 LFr	1000	108⅞	110½		7.26
World Bank 8 96 LFr	1000	102	103		7.14
Bank Voor Ned Gem 7⅝ 02 Fl	1000	105½	105⅞		6.80

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	4	9
Other Fixed Interest	3	0	12
Commercial, Industrial	442	167	810
Financial & Property	403	42	364
Oil & Gas	22	16	43
Plantations	1	0	7
Mines	25	35	74
Others	78	15	42
Totals	1,042	279	1,361

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	-	147	125	Balrychik	141	-4	-	-	-	-
†150	P.P.	-	167	150	British Telecom (P/Paid)	186	+4½	N15.6	1.4	4.4	21.1
100	F.P.	-	117	19	Celsis Intl.	108		-	-	-	-
-	F.P.	-	24	18	Raglan Warrants	24		-	-	-	-
-	F.P.	-	102	101	Second HGSC	102		-	-	-	-
250	F.P.	-	305	285	Sharelink Inv Servs	305	+1	W7.5	1.8	3.7	22.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	109¾p	103p	Asprey 8¼pc Cn. Pf.	109¾p	+½
100	F.P.	-	107½	105	Coats Viyella 6¼pc Cv Bds 2003	107½	+1¼
100	F.P.	-	103	98¼	Greenalls 7pc Cv. Bds. 2003	103	+½
-	Nil	-	6pm	6pm	Helical Bar 5¼pc Cv Pf 2012	6pm	
-	F.P.	-	113	107¼	Warburg 6½pc Cv Bds 2008	113	+1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
5	Nil	25/8	¼pm	¼pm	Alliance Res.	¼pm	
40	Nil	13/9	11½pm	2pm	Barden	11pm	+1½
10	Nil	20/8	5½pm	2½pm	Britton	4¼pm	-½
500	Nil	6/9	100pm	80pm	Clyde Blowers	98pm	
127	Nil	13/9	20pm	18pm	Headlam	18pm	
19	Nil	8/9	3pm	1½pm	Marling	1½pm	
8	Nil	1/9	3½pm	2½pm	‡Northumbrian Foods	3pm	
120	Nil	16/8	35pm	28pm	Rubicon	33pm	
275	Nil	17/9	31pm	16pm	Sidlaw	30pm	
240	Nil	22/9	39pm	38pm	TT Group	38pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- *First Dealings* Aug. 9
- Last Dealings Aug. 20
- Last Declarations Nov. 11
- For settlement Nov. 22

3-month call rate indications are shown in Saturday editions.
Calls: Applied Holographics, Burton, Caird Group, Carlisle, Creston, *Cons Murch.*, *Essex Furn.*, Glaxo, Goldsmiths, Hanson Wts., London Fin., Lucas Wts., Mirror Group, Pentos, Premier Land, Shandwick, Singer Fried., and Tesco. Puts: Goldsmiths, Hanson Wts. and Mirror Group Puts & Calls: Angio Pacific and Shandwick.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Grand Met	420	37	48½	53½	9	20½	24
(*442)	460	15	27	33½	28½	41	44½
Ladbroke	200	15	23	26½	10½	15½	22
(*208)	220	7½	15½	17½	22½	27½	43½
Utd Biscuits	360	28½	41	43½	12½	21½	28½
(*375)	390	13½	26½	29	29½	37½	45½

Option		Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
Pilkington (?)	160	19	22	26	7	10	15
(*169)	180	8½	12½	17	18	23½	26½

August 11 Total Contracts 45,047
Calls 29,139 Puts 15,908
FT-SE Index Calls 7,246 Puts 4,989
Euro FT-SE Calls 2,338 Puts 1,294
*Underlying security price. †Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Aug 11	Day's change %	Tue Aug 10	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	129.60	+0.23	128.70	1.58	7.49
2	5-15 years (23)	155.58	+0.81	154.32	1.82	8.42
3	Over 15 years (9)	174.15	+1.22	172.05	1.77	7.32
4	Irredeemables (6)	203.00	+1.95	199.13	2.89	7.35
5	All stocks (63)	151.60	+0.73	149.91	1.72	7.96
	Index-Linked					
6	Up to 5 years (2)	185.63	+0.14	185.37	0.22	3.41
7	Over 5 years (11)	180.95	+0.25	180.49	0.71	3.29
8	All stocks (13)	180.86	+0.24	180.12	0.65	3.22
9	Debs & Loans (66)	142.91	+1.15	141.28	3.07	8.05

	AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 11	Tue Aug 10	Year ago (approx.)
	British Government				
1	Low	5 years	6.31	6.45	8.65
2	Coupons	15 years	7.17	7.30	8.97
3	(0%-7¾%)	20 years	7.21	7.45	8.97
4	Medium	5 years	6.46	6.58	9.52
5	Coupons	15 years	7.31	7.44	9.18
6	(8%-10¾%)	20 years	7.40	7.52	9.10
7	High	5 years	6.65	6.77	9.75
8	Coupons	15 years	7.66	7.88	9.39
9	(11%-)	20 years	7.58	7.71	9.29
10	Irredeemables(Flat Yield)		7.48	7.63	9.24
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.82	2.86	4.40
12	Inflation rate 5%	Over 5 yrs.	3.30	3.32	4.55
13	Inflation rate 10%	Up to 5 yrs.	2.08	2.11	3.70
14	Inflation rate 10%	Over 5 yrs.	3.13	3.15	4.38
15	Debs &	5 years	7.88	8.08	10.74
16	Loans	15 years	8.20	8.35	10.53
17		25 years	8.38	8.50	10.40

Holliday Chemical dips after Spanish setback

By Roland Rudd

A DISAPPOINTING performance by a recent Spanish acquisition and the loss of one big order was responsible for Holliday Chemical Holdings reporting a small fall in pro forma pre-tax profits for the half year to end-June.

Profits slipped from £6.8m to £6.7m on sales ahead at £54.9m (£48.6m). The results were adjusted to reflect the April flotation which raised net proceeds of £31m.

The chemicals business saw profits fall from £5.2m to £4.3m for two main reasons; the recent acquisition of Barisyntex in Spain is taking longer than envisaged to generate profits and the company lost a big order for an ingredient for hair dye.

Mr Michael Peagram, founder and chairman, said: "The loss of the order is not a huge embarrassment; it has basically been deferred until next year." He remains confident that Barisyntex will be making profits by next year.

Despite what he described as the continuing difficult international economic climate, Mr Peagram said he could see no reason why current trading performance should not be sustained.

With net debt of £14m, representing gearing of 30 per cent, Mr Peagram said the group was well positioned to make further acquisitions. "We are looking at two and hope to complete at least one by the year end".

Capital expenditure was lower than expected at £2m. It is now unlikely to run to more than £4m in the second half, although at the time of the flotation the company said it expected to spend about £8m. "We took our eye off the ball during the flotation, which took up a lot of our time," Mr Peagram said.

Earnings per share were unchanged at 5.9p. The interim dividend is 1.6p.

● COMMENT

It would be churlish to be too critical of Holliday just because of a 1.5 per cent fall in pro forma pre-tax profits. The company has an impressive record of growth since its management buy-out in 1987. Earnings per share growth has averaged 22 per cent over the last five years on a pro forma basis and organic growth has been augmented by a string of acquisitions with a proven record. Yet by its own standards a disappointing performance from a Spanish acquisition and the loss of a big order causes some concern. It may only prove to be temporary but the cut in capital expenditure could be interpreted as a sign of the tough times. With forecast pre-tax profits of £14m, the shares – up 3p to 214p – look fully valued on a prospective multiple of 17.3.

Investigation clearance for Trafalgar House accountants

By Andrew Jack

THE ACCOUNTANTS and auditors involved in the preparation of the controversial 1991 accounts of Trafalgar House have been cleared of any disciplinary action by their professional body.

The investigation committee of the Institute of Chartered Accountants in England and Wales said yesterday that there were no grounds to act against its members, who included four directors of the company, and Touche Ross, the auditor.

It said the accounts were prepared after "appropriate consideration" by the directors, and that the controversy was a function of "honest differences of professional opinion". The examination was triggered automatically by a ruling from the Financial Reporting Review Panel, the UK accounts watchdog, which forced the company to restate its 1991 figures in the 1992 accounts.

The company reversed its decision to charge a £102.7m deficit on revaluation of properties directly to reserves rather than against profits, and added back £20m in advance corporation tax to the original £40.4m charge.

The case was the nearest the review panel has so far come to using its legal powers to take a company to court to force the directors to restate their accounts. After initially refusing to co-operate in a battle with the panel which is believed to have cost the company about £500,000, Trafalgar House relented last October.

It had been heavily criticised by shareholders at its annual meeting, who voted against the reappointment as auditors of Touche Ross, which had given Trafalgar House an unqualified audit report.

The decision by the Institute not to take any disciplinary action raises the question of how robust was the review panel's original verdict.

But it is believed that the Institute had no information which might have swayed its views on the reasons behind the review panel's ruling beyond the public statements made at the time.

Less fizz as Vimto declines to £3.4m

By Catherine Milton

LIKE MANY British cultural icons, the herbal drink Vimto wins greater recognition abroad than at home.

However, the effect of poor weather on sales in its home market overcame sustained export demand for JN Nichols' 85-year-old flagship brand, in particular the launch of the brew on the Russian market and its continued popularity in the Middle East.

Pre-tax profits declined from £3.53m to £3.4m, on turnover of £24.1m (£23.6m).

Vimto sells in more than 25 countries and has roughly 2 per cent of the UK market. The brand was first concocted in 1908 by John Noel Nichols, a former stockbrokers' clerk.

He moved the soft drinks maker from beginnings in Salford, which its advertising describes as "humble", to the implicitly more glamorous setting of "an old Manchester laundry" and it has stayed in that city ever since.

The company blamed the downturn on the combination of sterling's exit from the ERM, which raised raw material prices, and inclement weather in the UK in May and June which together put pressure on margins.

Nevertheless, the interim dividend goes up to 5.4p (5.1p), payable from earnings per share down at 14.4p compared with 14.8p.

Mr John Nichols, grandson of the founder and managing director, said: "There are many factors that will influence the final outcome for the year but the board feels sufficiently confident to raise the interim dividend."

As well as its soft drinks activity, Nichols has canning operations and a vending machine ingredients business.

It is in the middle of a £4m capital spending programme.

Making a whole of the parts

Andrew Bolger on why a restructuring plan is in progress at APV

APV, the UK group which is one of the world's largest manufacturers of food processing equipment, is still feeling the effects of an acquisitive binge in the 1980s.

After escaping a hostile bid from Siebe in 1986, the group doubled its turnover in three years through a series of purchases, but did little to integrate the various businesses.

APV's profit margins melted away as recession struck its main markets. Last year's pre-tax profits of £21.1m, on sales of £947.5m, were just over a third of those achieved in its peak year in 1989.

Mr Clive Strowger, appointed chief executive in June last year, has launched an extensive restructuring programme to focus the group, which has once again become the subject of takeover speculation.

However, he is doing so against a background of depressed order books and fierce pressure from competitors on margins.

Mr Strowger moved quickly to strengthen the balance sheet last year by selling Vent-Axia, a fan and hand drier business, to Smiths Industries for £56m and in the same week closed a lossmaking beer-kegging equipment site in Kent.

Despite reducing its workforce from 14,000 to 11,600 over the past two years, APV still has more than 100 operating units, spread across 10 countries. Mr Strowger says: "Complexity is both our problem and our opportunity."

Under a business plan agreed in the autumn, the group has identified companies that have a global responsibility for market segments such as dairy, ice cream, beverages, dry foods, processed foods, fruit juices, and industrial sectors such as pharmaceuticals. Other companies have global product responsibilities, while area companies have responsibility for improved market penetration in their territories.

A principal aim of this approach is to prevent different parts of APV competing against each other. The group has a strong position in fruit juice extraction equipment and on occasion as many as three APV companies have bid for the same contract.

UBS, the stockbroker, says: "While this may well have been a joyous, if slightly confusing, experience for the customer, such internal competition does, we believe, go a considerable way to explaining APV's low margins."

Putting together the first unified bid team from APV subsidiaries also helped the group to win a £16m contract for a Korean brewery, for which it will provide project management, engineering and installation services, plus the beer processing equipment. Mr Strowger says he intends to build on this multi-disciplinary approach to win more turnkey contracts.

The chief executive says that underlying all these changes is a desire to get closer to the group's customers. He describes this as a key accounts strategy, in which APV aims to have preferred relationship with its customers.

The group is anxious to move away from low-margin manufacturing and contracting work, and focus more on developing specific products and processes for customers, on which both sides can make good returns.

Mr Strowger says: "Engineering and products are all being standardised. Make/buy decisions are being made all the time – we are now doing minimum amount of manufacturing."

APV does have some very strong products, and extensive experience of developing processes in collaboration with the main food and drinks groups.

It claims a two-year lead in applying microwave technology to commercial baking ovens, and has invested heavily in ohmic heating systems, which produce food capable being stored for long periods without refrigeration.

Unfortunately, the group is having to implement this strategy against flat or falling markets – particularly in continental Europe, which accounts for 40 per cent of sales.

APV hopes some purchases are merely being deferred, but analysts believe spending was due to decline in real terms after the heavy levels of investment by the food and drinks industry in the late 1980s. Whatever the group's hopes, its business plan assumes no underlying market growth in the next three years.

The UK group is also facing ferocious competition on prices – not least from its two main rivals, Tetra Laval, the Swedish food packaging and equipment group, and GEA, the German company, which are both more concentrated on the liquid foods sector.

APV believes there is considerable consolidation going on and that all the main groups are suffering from high fixed costs. Mr Strowger says: "Our erosion of margins is being felt by everyone else. The risk is that smaller companies will be driven into the arms of some of our larger rivals."

The UK group does not rule out strategic alliances in particular countries or product areas, but is more likely to start making infill acquisitions. Mr Strowger says: "We have gaps in our range in a number of sectors, if we can find suitable partners."

APV has been the target of recurring bid speculation and this was strengthened last year when it emerged that GEA had quietly built up a 2.8 per cent stake in the group.

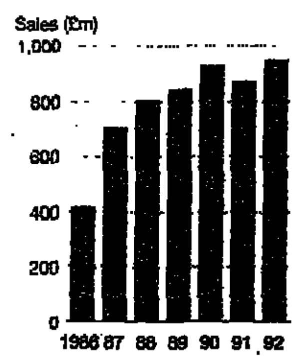
Mr Strowger is fatalistic about the prospect of facing a hostile bid: "I'm not sure that a predator could do anything very different to what we've done for the business. If it happens, it happens. But if someone came out of the woodwork, they would have to pay a substantial premium for the organic value of the business."

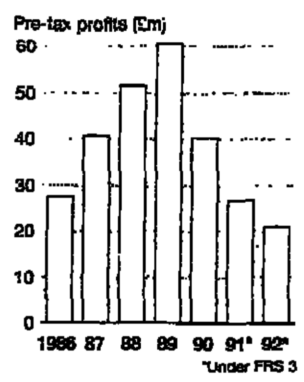
UBS says: "If the new management fails in its task to improve the performance of the group the fact that APV is a market leader in an international business will not see it remain independent for long."

APV says European orders are down by only 10 per cent, so the extent of the current downturn can be exaggerated. The group, which has 80 per cent of its turnover outside the UK, will also benefit from the devaluation of sterling and sees opportunities in the Pacific Rim.

Mr Strowger remains optimistic: "Having compiled the business plan, the opportunities for us are much greater than hitherto thought."

APV





Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.08.93: Pool purchase price £/MWh	Final Prices for Trading on 15.07.93: Pool purchase price £/MWh	Final Prices for Trading on 15.07.93: Pool selling price £/MWh
0030	20.35	21.58	25.61
0100	18.03	18.18	18.18
0130	18.03	18.18	18.18
0200	18.03	18.18	18.18
0230	18.03	18.18	18.18
0300	18.03	18.18	18.18
0330	18.03	18.18	18.18
0400	18.03	18.18	18.18
0430	18.03	18.18	18.18
0500	18.03	18.18	18.18
0530	19.99	20.24	24.30
0600	33.00	18.04	18.04
0630	33.00	18.02	18.02
0700	20.52	21.58	25.70
0730	20.50	24.95	29.11
0800	25.04	24.77	28.79
0830	24.88	25.38	29.35
0900	26.07	26.39	30.41
0930	28.63	27.11	31.17
1000	28.64	28.35	32.48
1030	28.65	28.37	32.47
1100	28.14	28.40	32.52
1130	33.08	32.60	37.10
1200	33.13	32.68	37.16
1230	33.12	32.61	37.09
1300	33.08	32.70	36.83
1330	27.32	27.09	31.06
1400	27.18	26.65	30.61
1430	26.06	26.62	30.58
1500	26.06	26.61	30.57
1530	25.05	26.61	30.57
1600	25.05	26.62	30.58
1630	26.06	32.28	36.41
1700	27.19	32.28	36.38
1730	34.90	32.27	36.37
1800	34.89	26.61	30.56
1830	25.04	25.09	29.01
1900	24.40	24.89	28.92
1930	24.40	24.98	28.95
2000	24.40	24.77	28.74
2030	23.82	24.77	28.75
2100	36.00	24.77	28.75
2130	38.00	24.77	28.69
2200	36.00	34.00	38.24
2230	32.80	34.00	38.25
2300	23.00	33.38	37.85
2330	21.25	32.81	37.17
2400	20.52	23.50	27.55

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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FT CONFERENCES

WORLD MOTOR
Frankfurt, 8 & 9 September
Timed to coincide with the Frankfurt Motor Show, this biennial meeting will focus on the challenges and opportunities facing motor manufacturers and examine how the automotive industry is responding to the current economic climate.

FINANCIAL REPORTING IN THE UK
London, 27 September
The conference will review ASB's proposals for changing accounting standards and their impact on reported company profits and balance sheets.

WORLD MOBILE COMMUNICATIONS
London, 29 & 30 September
The forum will look at mobile communications growth and technologies as well as the development of a mass market personal communications system.

FT-CITY COURSE
London, 4 October - 22 November
The Course, arranged with the City University Business School, is held on one afternoon a week for eight weeks. It will give those working in the City or servicing the financial sector a broad understanding of how the major financial institutions in the City of London operate.

RETAILING - NEW OPPORTUNITIES, NEW CHALLENGES
London, 12 & 13 October
This topical conference will discuss international growth opportunities and new routes to market, look at ways of improving performance and profitability and consider the importance of the customer.

INTERNATIONAL PACKAGING AND THE ENVIRONMENT
London, 18 & 19 October
Co-operation in the packaging chain, recycling or incineration, and opportunities for new uses of resources will be examined.

AFTER THE RECESSION-WORLD COMMERCIAL AVIATION AT THE CROSSROADS
Dubai, 8-10 November
The conference will focus on the great changes that are taking place in the world airline and aerospace industry as well as the manufacturers role in meeting future aircraft demands.

WORLD ELECTRICITY
London, 16 & 17 November
A high-level forum for utilities and their regulators, as well as suppliers of equipment and services to the power business, to discuss how the electricity industry is responding to a more competitive environment.

THE FIFTH FT PETROCHEMICALS CONFERENCE
London, 22 & 23 November
This year's meeting will examine the challenges currently facing the petrochemical industry and review developments in key markets.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London ECIM 5SA. Tel: 071-814 9770 (24-hr answering service) Telex: 27347 FTCONF G, Fax: 071-873 3975/3969.

COMPANY NEWS: UK AND IRELAND

Market minnow with a touch of individuality

Paul Cheeseright on how the benefits of a restructuring programme are showing through at Linread

LINREAD, the Midlands-based maker of fasteners largely for the motor and aerospace industries, is restructuring to create the robustness which the Bank of England has found to be a characteristic of UK manufacturers as they come out of recession.

It is in the middle of a programme which is already having a marked effect on the speed and cost at which fasteners come out of its plants in Birmingham, Redditch, Leicester and, in north-east England, Peterlee.

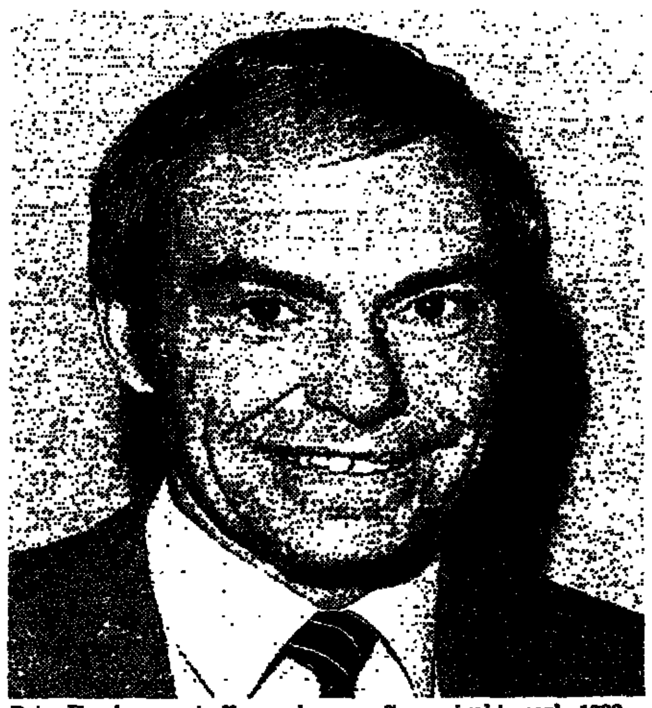
The programme is typical of what has been taking place in the Midlands manufacturing sector. Increases in productivity at big and small companies alike have fed the market hope that engineering companies are good recovery stocks.

Hence the rise in the FT-A Metals and Metal Forming Index from the year's low point last January of 319.37 to current levels of about 460. Hence too, at 2.38 per cent, the relatively low dividend yield for the sector.

Within the sector, Linread's share price has been trading latterly within reach of its 1993 high of 128p. But, with a market value of just over £14m, it is a market minnow. The price is of general interest only because it reflects a trend: Glynwed, with a market value 45 times greater, has also seen its price near its 1993 high and has the highest p/e in the sector at 29.

Although Linread's programme is typical in its objectives and does not claim to be original in content, its timing is individual. Glynwed started responding to recession in 1990, when it began to reduce its payroll. The full force of the Linread programme became apparent only last year and will not be fully effective until the end of 1993. It is, then, late in the economic cycle.

This reflected internal circumstances. Linread seemed just like any moderately successful small manufacturer until 1991, when a breakdown in stock controls led not only to losses but also to a management shakeout which saw the arrival in early 1992 of Mr Peter Harrisson as chief executive.


Peter Harrisson: set off own changes after arrival in early 1992

Mr Harrisson then set off his own changes. There will be two new managing directors for the main operating divisions by September. New people have come in to the tier underneath, making immediate impact at the operational level.

Such changes have become a general phenomenon as managements have sought to tweak the processes, manage the cash, to do more with less. Responsibilities have generally been more closely defined. Glynwed has already done what Linread is now doing: a new generation of executives has been put in place at the top of its main operating divisions.

Although, at Linread, detailed practice differs from plant to plant, its internal changes have broad similarities. Factory lay-outs are changing from a division of space by function – all the grinding machines together, for example – to a division of space according to product. Manufacturing teams are being set up.

The old system meant that there was always a large amount of work in progress and that management found it difficult to trace bottlenecks. Lead times were long. The biggest problem for the group was the traditional British bugbear: an inability to deliver on time.

At North Bridge Fasteners, a Leicester subsidiary specialising in aero engine bolts, the average lead time for production was 10 weeks, much of which was taken up by half-made products queueing up, waiting for attention. The lead time has been reduced now to three weeks, the work in progress has been cut by 65 per cent and the distance a part travels around the shop has been cut by 70 per cent.

Group pre-tax profits have returned: £1.3m in 1992. There was a quick effect on the balance sheet once stock and work in progress came out of the system. "We took cash out of the factories and put it into the bank balance," said Mr Harrisson.

The Bank of England noted that companies entered the 1990s recession with a higher level of indebtedness than they had had in the 1980s downturn. Linread has been no exception in the recent attention it has given to gearing. During 1992, it halved gearing from 59 to 29 per cent and it is now reducing further.

Companies are seeking the greater financial flexibility which comes from higher productivity. Just as Glynwed's sales per employee have risen since the end of 1991 from £75,000 to over £80,000, so at Linread's Redditch plant, where team working is most developed in the group and output per employee has risen from £30,500 in 1987 to £60,000.

Until demand recovers, such productivity gains are likely to be the main source of increased profits. When Glynwed last week announced higher interim profits it made the point that they came more from internal change than external demand.

Equally, Linread is coping with sluggish demand on the aerospace side and uncertain demand on the automotive side. But on both sides of the business its selling prices are under pressure. Coping with its own costs is the only immediate way to financial stability.

The problem is general. As the CBI-BSL regional trends survey said yesterday, "West Midlands manufacturers report falls in both unit costs and selling prices."

Reflex back in the black with I£0.3m

By Paul Taylor

REFLEX GROUP, the Dublin-based computer services and software combine, returned to profit in the first half following two years of pre-tax losses.

The group, which has been switching from computer leasing to provision of applications software and persuaded Mr Tony Kilduff to come in as chairman last year, reported pre-tax profits of I£316,000 (£293,000) in the six months to June 30.

In the previous eight months to December 31 the group incurred a pre-tax loss of I£4.53m, including I£3.07m of provisions for discontinued operations, other exceptional costs and goodwill on discontinued operations previously written off to reserves.

Turnover from continuing operations increased by 23 per cent to I£4.28m from I£3.45m in the previous period when discontinued operations added another I£2.13m. The group incurred a I£1.45m operating loss including I£470,000 on discontinued operations.

Mr Kilduff attributed the turnround to continued tight control of costs and the withdrawal from the loss-making hardware sales activity in the UK, coupled with a successful performance of the UK computer services businesses and lower interest costs resulting from reduced debt levels and interest rates.

He said the introduction of the group's application software products in the UK required continued investment but was expected to contribute to profitability in the second half.

Mr Aidan Farrell, chief executive, said that during the latest period 41 per cent of the group's gross margin was earned from the licensing and support of application software products, compared to 21 per cent last year. The remainder was generated by computing services activities. Overall the Irish market generated 49 per cent of gross margin with the UK accounting for the rest.

At the end of June the group had net debt of I£2.69m, down I£700,000 since the end of the year. Its residual book of leases continued to be run off and the balance sheet at the end of June included I£1.2m of assets related to discontinued leasing activities, down from I£1.7m at the year end.

Continuing cash flow from these leasing assets, together with cash from operations will contribute to a further "significant" reduction in debt during the second half.

Earnings per share were 2.01p in the first half, compared to a loss on continuing operations of 7.98p in the previous eight months and total losses of 26.85p.

PUBLIC WORKS LOAN BOARD RATES
Effective August 10

Years	Quota loans* [illegible]†	[illegible]††	at maturity§
1			5⅞
Over 1 up to 2	5¾	5¾	6
Over 2 up to 3	6	6	6⅛
Over 3 up to 4	6⅛	6⅛	6⅜
Over 4 up to 5	6¼	6⅜	6⅝
Over 5 up to 6	6⅜	6½	7⅛
Over 6 up to 7	6½	6⅝	7¼
Over 7 up to 8	6⅝	6¾	7⅜
Over 8 up to 9	6¾	7	7½
Over 9 up to 10	7	7⅛	7⅝
Over 10 up to 15	7⅜	7⅝	8⅛
Over 15 up to 25	8⅛	8¼	8⅜
Over 25	8⅛	8⅜	8⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

COMPANY NEWS: UK

Future tax uncertainties prompt 'one-off' move

Enhanced scrip dividend at Commercial Union

By Norma Cohen, Investments Correspondent

COMMERCIAL UNION is offering the lion's share of its annual dividend to shareholders at halfway instead of the year end and offering to pay extra dividends in shares out of concern that the Treasury may close a tax-advantaged financing loophole in the November budget.

"It is the uncertainties about the future tax position which have prompted this," said Mr Peter Foster, general manager (finance).

Dividends paid in shares do not attract advance corporation tax, unlike those paid in cash. Companies may offset ACT against UK taxes paid, but those with high overseas earnings or those with low domestic tax bills cannot recover their ACT.

Mr Foster said the exercise was "a one-off" and would not be repeated. Changes to the rules on ACT and the likelihood that CU's domestic tax charge will rise as its UK operations return to profitability should make future enhanced scrip dividends less attractive to the company.

The Treasury has given no public indication that it will close the loophole, which has helped UK companies cut their tax bill by over £200m since April. It has only said that it is "watching" market developments and from next year has offered to help cut the ACT charge for those with high overseas earnings.

CU will pay shareholders who elect cash an interim dividend of 15.1p, equal to the final declared at the end of 1992. It paid an interim dividend of 9.25p last year. "We are effectively reversing the order of the final and interim dividends," Mr Foster said. However, the move does not signify that the final dividend will be 9.25p.

Investors who accept the dividend in shares will gain an additional 50 per cent, equivalent to a minimum of 22.65p. If all shareholders elect shares, the offer will result in the issue of 16.5m new shares and save the company £23.6m in ACT charges and £81.2m in cash which would have been spent on dividends.

Assuming full take-up, the existing share capital will be diluted by 3.5 per cent. Previous enhanced scrip dividends from other UK companies have had 90 per cent or more election of shares.

Mr Foster said that £100m which could be raised will be deployed in CU's existing life and non-life insurance businesses.

In order to finance the new shares at the same rate as existing shares, CU will need a return on capital of between 6 and 7 per cent. Currently, it is earning return on capital of 8 per cent.

Fresh capital to ensure growth

By Richard Lapper

COMMERCIAL UNION is gearing up for further expansion after rapid growth in the first six months.

Following its rights issue earlier this year, the company aims to earmark some £100m cash it expects to raise from the enhanced scrip dividend, announced yesterday, to support these efforts.

Premium income in the half year to June 30 grew by 28 per cent to £3.04bn. Much of the growth was concentrated in the UK where premiums from general insurance rose by an underlying rate of 20 per cent to £895.9m.

Mr Peter Foster, general manager (finance), said the scrip dividend would enable CU to "retain additional capital, allowing growth of both life and non-life business in the UK, and life business overseas."

Fresh capital was particularly needed to support new overseas life insurance ventures especially in southern Europe. These are capital intensive and impose new business strain. CU is keen to increase its share of the life market in order to balance its exposure to more volatile general lines.

Sales of new life annual premiums in the UK increased by 12 per cent, reflecting increased sales of mortgage related and pensions business.

CU, however, is also confident about prospects for the general insurance market, especially in the UK where the company is expecting a prolonged period of profitability.

Mr John Carter, the general manager who takes over as chief executive next year, said that scarcity of capital and falling returns from investment was forcing companies to aim to achieve profits on their underwriting operations and was leading to a general improvement in underwriting discipline.

We expect a "better and longer peak to the underwriting cycle" and a period of "underwriting profits".

JFB still suffering from lack of orders

By Paul Taylor

JOHNSON & FIRTH Brown, the specialist engineering group, yesterday issued a profits warning citing the absence of any recovery in its order books.

The announcement prompted a slide in the share price which finished 7¼p lower at 40½p, with almost 5.8m shares changing hands.

When the group announced its interim results in early June, Mr Martin Llowarch, chairman, cautioned that a stronger order book, especially from larger customers, had failed to materialise.

At that stage he said that a number of important potential orders in the light engineering division had again been deferred.

Yesterday the group said that since then, despite earlier signs of a general economic recovery and expectations that it would feed through to JFB by the second half, "the order book has not only failed to strengthen, but is currently at lower levels across almost the whole of the group than a few months ago."

At the monthly board meeting yesterday it was noted that even if orders were now to improve it would be too late to have much effect on this financial year ending September 30.

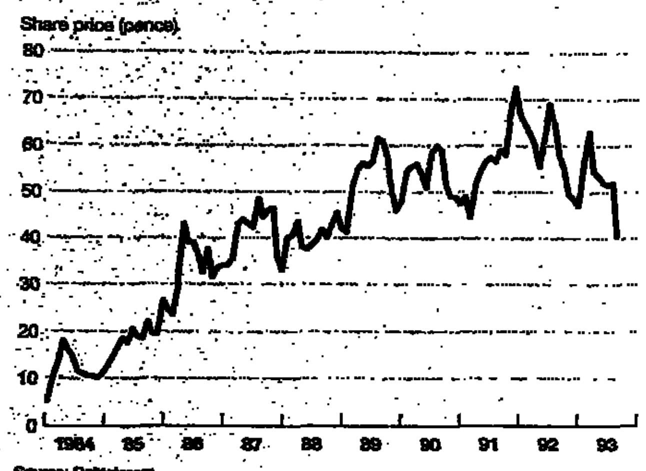
"Consequently, although the group continues to trade profitably, the directors now expect the results for the six months to end-September 1993 to be below those in the first half of this financial year."

In the first half JFB blamed continued price competition for a 38 per cent fall in pre-tax profits to £2.07m (£3.32m) on increased sales of £63.3m (£60.3m).

The interim dividend was maintained at 1p. The decision on the final would be made in December, taking into account the view of the next financial year at the time.

Sterling's devaluation had been expected to help the group combat some fierce overseas price cutting, but German competitors had reacted by reducing their prices by a further 15 per cent.

Johnson & Firth Brown



Source: Datastream

Almost 100 show interest in Dunkeld

By Peggy Hollinger

Administrative receivers at Dunkeld Group, the manufacturer of Slix swimwear and Pierre Balmain shirts which collapsed on Monday, have received approaches from almost 100 interested parties, including management appointed to the group less than three weeks ago.

A buy-out was launched yesterday by Mr Graham Hudson and Mr Bill Walker, who joined Dunkeld at the end of last month to run the swimwear and shirt divisions. They were meeting yesterday with receivers to negotiate a price.

Price Waterhouse, which is acting for management in the negotiations, said yesterday it was too early to put a value on the company. The management team had no facilities in place as yet, although it was "in the process of selecting investors".

Mr Walker, formerly business development director for the VF Corporation Europe, said he was confident that both the shirt and swimwear businesses, along with the group's 500 employees, "could have a successful and profitable future". Dunkeld claims the UK's number one position in ladies swimwear, with 18 per cent of the market. It is also one of the UK's four largest shirt suppliers.

Dunkeld, which almost collapsed two years ago after a heady expansion phase left it crippled with debt, bought the swimwear division and a shirt-making business less than a year ago. The deals were accompanied by a placing to raise £1.7m and a second financial restructuring in which bankers Hill Samuel converted £5.9m of debt into equity.

However, the burden of debt built up in the 1980s proved too much for Dunkeld.

NEWS DIGEST

Ward back in black with £0.3m

IMPROVED income in housebuilding, rental income and property disposals, enabled Ward Holdings to record a pre-tax profit of £347,000 for the half year to April 30.

That compared with a loss of £1.8m in the corresponding period, which increased to £5.29m by the end of that year.

Turnover in housebuilding came to £10.4m (£9.2m). Trading conditions in the south-east of England continued to be depressed but the company sold more houses than last time. Margins continued to be squeezed, the market overhang of housing stock remained and problems created by repossessions continued, said Mr Denis Ward, chairman.

Sales of industrial and commercial units were being achieved where lettings had been secured. Contracts had also been exchanged for the sale of part of the Lordswood Industrial Estate.

Gross rents and property disposals totalled £8.32m (£1.08m). Earnings per share were 0.7p (2.3p losses).

Value of the land bank will be reviewed on October 31 so the directors were unable to determine likely results for the year.

Metal Bulletin advances 22%

Metal Bulletin, the international business publisher, raised pre-tax profits by 22 per cent from £711,600 to £871,300 in the six months to June 30 and, based on current activity levels, there was optimism that five consecutive years of growth would be extended in 1993.

Mr Trevor Tarring, chairman, said the period had seen a continuation of the growth pattern first experienced late in 1992 by the metals, futures and options and managed funds divisions.

The minerals information side continued to be a solid contributor to profits, while the textiles division – acquired at the end of 1992 – had been successfully integrated and was exceeding its budget for turnover and profit.

Group turnover expanded 19 per cent to £6.91m (£5.81m). Earnings per 10p share rose from 5.1p to 6p and an increased interim dividend of 2.9p (2.7p) is declared.

Aviva completes refinancing

Aviva Petroleum, the Texas-based oil and gas exploration and production company, has completed restructuring of its banking facilities.

Under the new arrangements, the company has entered into a $25m (£16.7m) revolving credit facility with Internationale Nederlanden Bank. Availability is subject to a formula determined annually in relation to Aviva's oil and gas reserves, but based on current levels, the present borrowing level is $14.2m.

As a result, the company now has $5.1m bank debt outstanding and an additional $9.1m in immediate borrowing capacity available for purposes such as the funding of its Colombian exploration and development programme.

Higher tax hits Armitage earnings

Armitage Brothers, the pet foods and products manufacturer, marginally increased sales and profits in the year to May 30.

Profit before tax was £875,000 (£851,000), but a rise in the tax charge reduced earnings per share to 14.6p (16.4p). The dividend is stepped up to 6.2p (6p) with a final of 3.6p.

Turnover came to £21.9m (£21.8m) following an 11 per cent rise in exports and similar growth in dried dog food. Gross margin deficit was more than recovered by further reductions in overheads.

In the current year sales were showing a slight upturn and Christmas orders were ahead. Margins were still under extreme pressure.

Higgs & Hill makes £720,000 purchase

Higgs & Hill has acquired Carter Commercial Developments for £720,000 plus a profit-related payment from the receiver of Flintclose, a subsidiary of Speyhawk. Carter specialises in the development of out-of-town retail sites.

Mr John Theakston, chief executive of Higgs, said the purchase was an important part of the company's strategy as it came out of recession.

Kleinwort Overseas net assets up 13%

Kleinwort Overseas Investment Trust had a net asset value of 253.5p per share at June 30, up from 224.6p at the December year-end and 180.4p at end-June 1992.

The 12.9 per cent advance over the last six months compared with a rise of 15.7 per cent in the trust's benchmark – the FT-A World Index in sterling terms.

After preference dividend payments, attributable profits for the six months to end-June totalled £1.75m (£1.64m), equivalent to earnings of 2.18p (2.04p) per share. The interim dividend is again 1.5p.

Amber Ind sells subsidiary

Amber Industrial Holdings is selling its Causeway Steel Products subsidiary to Sterling Electronics, part of the Sterling Industries group.

Causeway and its 85 per cent owned US subsidiary, Causeway Steel Products Inc, make retaining armours and anchorage systems for heat resistant linings, utilised mainly in the protection of refining plant in the petrochemical industry.

Consideration is £1.14m cash, together with £224,701 for property occupied by Causeway.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Armitage Bros	fin	3.6	Oct 15	3.4	6.2	6
Commercial Union	int	15.1†大	Oct 13	8.95	-	24.35
Holliday Chem	int	1.6	Oct 1	-	-	-
Kleinwort O'seas	int	1.5	Oct 8	1.5	-	3.3
Metal Bulletin	int	2.9	Oct 8	2.7	-	8
Nichols (Vimto)	int	5.4	Oct 25	5.1	-	13.6
Schroder Split	int	1.6875‡	Sept 30	-	-	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. 大Increase to facilitate enhanced scrip dividend. ‡Making 3.375p to date.

– *Company Notice* –

General Accident plc

RESULTS FOR SIX MONTHS ENDED 30TH JUNE 1993

	6 Months to 30.6.93 Estimate £million	6 Months to 30.6.92 Estimate £million	1992 Year Actual £million
Premium Income			
General Business	2,107.0	1,909.7	3,831.5
Long Term Business	413.7	357.0	790.4
	2,520.7	2,266.7	4,621.9
Investment Income	248.2	240.0	504.9
Estate Agency Result	(4.5)	(9.9)	(18.8)
Underwriting –			
General Business Result	(129.0)	(235.2)	(510.1)
Long Term Business Profits	20.9	14.6	34.8
	135.6	9.5	10.8
Less Interest on Loans	9.4	24.9	40.1
Profit (loss) before Taxation	126.2	(15.4)	(29.3)
Taxation - U.K. and Overseas	21.0	(1.1)	(4.1)
Profit (loss) after Taxation	105.2	(14.3)	(25.2)
Minority Interests	(0.3)	0.5	1.7
Net Profit (loss) attributable to Shareholders	105.5	(14.8)	(26.9)
Earnings per Ordinary Share	21.5p	(3.4p)	(7.0p)
Principal exchange rates used in translating overseas results			
U.S.A.	$1.49	$1.51	$1.51
Canada	$1.92	$1.93	$1.93

Notes

The above results of the General Accident Group for the six months ended 30th June 1993, estimated and unaudited, are compared with those for the similar period in 1992, which are restated at 31st December 1992 rates of exchange. Also shown are the actual results for the full year 1992. These results do not comprise the statutory accounts for 1992 which have been audited without qualification and filed with the Registrar of Companies.

There are no "discontinued operations" or "acquisitions" as defined in FRS3.

It must be emphasised that the results for an interim period do not necessarily provide a reliable indication of those for the full year.

ANALYSIS BY TERRITORY OF GENERAL BUSINESS PREMIUM INCOME AND UNDERWRITING RESULT

	6 months to 30.6.93 Premium Income £m	6 months to 30.6.93 Underwriting Result £m	6 months to 30.6.92 Premium Income £m	6 months to 30.6.92 Underwriting Result £m
U.K.	681.5	3.5	600.1	(104.8)
U.S.A.	679.2	(74.1)	676.8	(81.6)
Canada	322.5	(7.1)	223.4	(2.4)
Pacific	170.2	2.5	162.6	(3.1)
Europe other than U.K.	120.0	(20.2)	112.9	(20.6)
Other Overseas	54.7	(11.4)	56.7	(6.0)
London Market Business incl. Internal Reinsurance	78.9	(22.2)	77.2	(16.7)
	2,107.0	(129.0)	1,909.7	(235.2)

Commenting on the results, Mr. Nelson Robertson, General Accident's Group Chief Executive, said:

"With an improvement of almost £142m at the pre-tax level, we have achieved a significant recovery in our operating performance at the half year.

"An outstanding feature of the result is the achievement of an underwriting profit in the UK where the benefits of rating action, more selective underwriting procedures and cost controls produced a substantial and continuing improvement in our performance in the second quarter.

"We have also made progress in other major markets. In the US, where we have applied corrective action to unprofitable lines, we continue to benefit from the successful introduction of rating increases. In Canada, we performed well and reported an excellent profit in the second quarter. We also produced a good profit in the Pacific at the half year and saw strong premium growth in Asia.

"Long-term business continues to progress and has made a substantially increased contribution to profits.

"Net investment income has shown a satisfactory increase during the six months as interest charges continue to fall in line with significantly reduced borrowings.

"In summary, we have made substantial progress at the half year and we expect this positive trend to be maintained. To this end we shall take further corrective action in those areas which continue to produce an unacceptable underwriting return.

"The continuing improvement in our asset value and a return to acceptable levels of profitability further enhances our financial strength and our ability to take full advantage of the opportunities for profitable growth."

Long Term Business

New annual premiums for life business in the United Kingdom for the first six months were £26.0m (1992 £30.3m) and single premiums £176.2m (1992 £159.5m).

Dividend

The Directors have declared an interim dividend for the year ending 31st December 1993 of 9.7p per share (1992 9.7p per share) costing £43.7m (1992 £43.6m) payable on or after 1st January 1994 to ordinary shareholders on the Register of Members at close of business on 29th October 1993.

The Directors propose to offer ordinary shareholders the opportunity to receive fully paid ordinary shares in the Company in lieu of the cash dividend.

Net Assets Per Share/Worldwide Solvency

	Current (as at 6.8.93)	31.12.92
Net Asset Value per share	394p	331p
Solvency Margin Worldwide	48.9%	41.5%

These calculations do not take account of the value of the long term assurance business. Current figures are estimated and include an appropriate amount for dividend and trading result up to 6th August 1993. The solvency margin worldwide includes a full year estimate of premium income in respect of direct general insurance business acquired from Prudential in Canada on 30th November, 1992.

A full copy of the interim announcement for 1993 can be obtained from: The Secretary, General Accident plc, Pitheavlis, Perth, Scotland PH2 0NH.

LEGAL NOTICES

Company No.2566594
Registered in England and Wales
COMPANIES ACT 1985
INSOLVENCY ACT 1986
Resolutions of
Elision Communications Ltd
PASSED 26 July 1993

At an extraordinary general meeting of the above named company duly convened and held at 6 Greyfriars Road, Reading, Berkshire RG1 1JG on Monday, 26 July 1993 the following resolutions were passed, No. 1 as an extraordinary resolution and No. 2 and No. 3 as ordinary resolutions:

1. THAT it has been proved to the satisfaction of the meeting that the Company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.
2. THAT John Martin Iredale and Stephen Paul Holgate, of Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG be and are hereby appointed joint liquidators for the purposes of such winding-up.
3. THAT the liquidators be empowered to act jointly and severally in all matters relating to the winding-up.

Signed
Peter Hartley
Chairman of the Meeting

Notice of appointment of Joint Administrative Receivers

MOUNTWOOD HOLDINGS LIMITED

Registered number: 17720 Nature of business: Property Developer. Trade classification: 38. Date of appointment of administrative receivers: 4 August 1993. Name of person appointing the administrative receivers: Omnicorp Overseas Limited (in Liquidation). Joint Administrative Receivers: Anthony Victor Lomas (office holder no 72401 and Colin Graham Bird (office holder no 1257). Address: No 1 London Bridge, London SE1 9QL.

IN THE MATTER OF
AUSTPAC GOLD INVESTMENTS LIMITED
AND IN THE MATTER OF
THE INSOLVENCY RULES 1986

In accordance with Rule 4 106 of the Insolvency Rules 1986 notice is hereby given that Richard William James Long and Ipe Jacob of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 19 June 1993.
Dated this 22nd day of July 1993
R W J LONG and I JACOB
Joint Liquidators

Chicago market braces for crop damage report

By Laurie Morse in Chicago

THE usually hectic Chicago grain futures pits were quiet yesterday as traders awaited a government report containing the first official estimates of the US maize and soyabean harvest since a devastating flood hit the Midwest in July.

The crop figures were also expected to reflect damage in the US southeast, where a withering drought caused the US Department of Agriculture to declare farm regions of North Carolina, South Carolina and Georgia disaster areas.

Mr Richard Feltes, analyst for Refco, the international trading company, said the August report was unusually important this year. "We've just seen the largest regional flood disaster since 1947. Usually at this time, we have production acres fixed, and are just trying to calculate yield. This time we have two unknown variables, and historic volatility in grains prices."

Mr Mike Espy, US secretary of agriculture, was scheduled to speak in Washington directly after the report, presumably to discuss the disaster aid legislation President Bill Clinton will sign into law today. Because of the unusual crop conditions, Mr Espy ordered a broader crop survey than usual for the August report.

The report, which was scheduled for release after the close of the futures markets, was expected to put US maize production at about 7.509bn bushels and soyabeans at about 1.857bn. By comparison, record yields pushed the US maize crop to 9.479bn last year. US farmers produced 2.197bn bushels of soyabeans in 1992.

The smaller maize crop must be viewed in the context of large supplies carried over from last year. With nearly 2.124bn bushels of last year's harvest still in storage, there is no danger of a feed grain shortage, even with a smaller maize harvest this year. Soyabean supplies are tighter, with last year's carryover at only 290m bushels.

Analysts said the USDA's August production estimates would give only a snapshot of the crop. The USDA survey was completed on August 1. Since then warm weather has accelerated maize development in Iowa, which was hardest hit by heavy rain, and in Indiana and Ohio, which have experienced ideal growing weather this summer.

"The weather rally is far from played out," said Mr. Steve Assimos, crop analyst for Cargill Investors Services. "Iowa and Minnesota are still 1-3 weeks behind schedule, and it won't be until harvest that fears of an early, killing frost will abate."

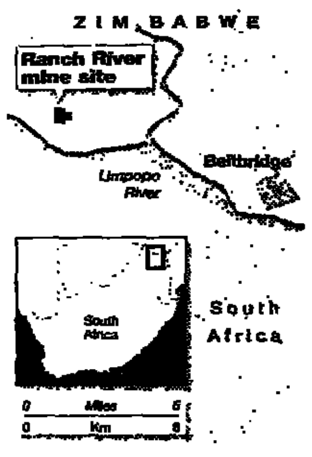
Mr Assimos believed that focus even after the crop data was releases the market would remain bearish.

Investors sought for Zimbabwe diamond mine

By Kenneth Gooding, Mining Correspondent

INVESTORS are being asked to provide money for a diamond mine near the River Limpopo in Zimbabwe, which De Beers, the South African group that dominates the diamond business, discovered but then let get away.

The mine is River Ranch, 12km upstream from Beitbridge on the southern border of Zimbabwe. De Beers found diamonds there in 1975 but decided to concentrate instead on another site 60km away and, importantly, given the heat generated by the politics of the region, across the border in South Africa. After an investment of $500m that site went into production as Venetia, one of the world's biggest diamond mines.



The South African group eventually gave up its rights to River Ranch in 1991 after it failed to reach agreement with the Zimbabwe government about marketing the diamonds. The government insists that all minerals are sold through its state-controlled Minerals Marketing Corporation.

Mr Robin Baxter-Brown, chairman of Redaurum Red Lake Mines, one of the new joint owners of River Ranch, said yesterday that De Beers bulldozed the site before leaving.

Also, all documentation about the deposit has mysteriously disappeared from the Zimbabwe Ministry of Mines.

(A De Beers official said equipment would usually be removed from a site before it was abandoned but he could neither confirm nor deny that River Ranch had been bulldozed.)

Mr Baxter-Brown is a South African geologist who started his career with De Beers and has 36 years of diamond exploration experience. He helped Auridiam, an Australian-quoted company that he co-founded and where he was once chairman, win the mining rights to River Ranch when they were put up for tender by the Zimbabwe government in 1991.

The deposit is estimated by the joint venturers to have resources of 17.5m tonnes containing 5m carats of diamonds, and since mining started in March last year it has produced 43,000 carats of diamonds, 60 per cent of them of gem quality, Mr Baxter-Brown said.

Redaurum, which is quoted in Toronto, is raising C$1.5m (£780,000) net of expenses via a placing by London stockbrokers Carr Kitcatt & Aitken to help boost annual output from the present rate of 50,000 carats to 330,000 carats.

The increase will be reached in two phases. The first, costing US$2.1m, will raise output to 180,000 carats next year, while the second will cost $8.7m. The partners have spent about $850,000 to buy and move a heavy minerals separation plant recently decommissioned at the RTZ Corporation's diamond mine near Mafikeng, 500km away.

The joint venturers have exclusive exploration rights to 13,474 hectares of ground around the mine and Mr Baxter-Brown suggested the chances of finding another diamond deposit were good.

While most of River Ranch's gem diamonds are small, typically under half a carat, the mine has yielded some big stones, the biggest so far being 29.6 carats. A 28-carat stone was sold for $110,000 or $4,000 a carat, and one of 17 carats for $95,000 ($6,000 a carat).

Diamonds are being sold directly to the market in Antwerp, Belgium, and not through De Beers' Central Selling Organisation, which controls about 80 per cent of the world rough (uncut) diamond trade. But as Mr Baxter-Brown pointed out: "330,000 carats a year is no threat to De Beers."

Norway digs deeper for North Sea riches

Karen Fossli on the improving prospects for Europe's largest oil producer

NORWAY has reached midlife as a petroleum resource nation but the estimated reserves in its oil fields have been upgraded, thanks to new seismic acquisition and interpretation technology. The technology has also have helped identify new fields outside the mature North Sea province.

The Norwegian Petroleum Directorate (NPD), the industry watchdog, upgraded its estimates of total recoverable petroleum resources by 12 per cent to between 8bn and 12.5bn tonnes of oil equivalent. At current prices some estimates put the value of the upgrade at around NKr450bn ($225bn).

The NPD's estimate puts undiscovered resources at 3.7bn tonnes, the potential for improved recovery from existing fields at 500m tonnes and discovered recoverable resources at 5.6bn tonnes.

The oil/gas ratio of potential new resources and improved recovery is respectively 40 per cent and 60 per cent.

In the past Norwegian petroleum resources have been upgraded by an average of about 30 per cent from original estimates. Given average annual oil production of 80m tonnes and annual gas production of 25m tonnes of oil equivalent, the country's oil will last for about 45 years and its gas for about 200 years.

Norway is western Europe's biggest crude oil producer, with an annual output of 2.4m barrels It is the third-biggest supplier of gas.

The continental shelf embraces an estimated 1.1m sq km of sedimentary rocks, of which just 40 per cent has been opened for exploration drilling. The shelf is divided into three areas; the North Sea, the Norwegian Sea and the Barents Sea. The North Sea comprises all areas south of the 62nd parallel, while the Norwegian Sea extends to intermediate areas between the North Sea and the Barents Sea, which comprises areas north of Andoeya in the Lofoten Islands.

The NPD says that on average, every third wildcat well drilled on the shelf has produced hydrocarbons when tested. In the North Sea, for example, 320 structures have been drilled and 112 discovery wells defined. For the Norwegian Sea the respective numbers are 70 structures and 17 discoveries, while in the Barents Sea the figures are respectively 45 and 16.

Estimates of reserves have been raised 12 per cent

"During the last five years resource growth has been slightly less than production growth. Although we can no longer expect to find as much oil as we produce, good opportunities will still exist for further interesting oil finds," the NPD. says

Norway's first licensing round was held in 1965, when 23 production licences covering 80 blocks were issued, all in water depths of less than 150m in the southern North Sea. Exploration in recent years has moved into water depths of 300m and is heading into depths of between 500m and 2,000m.

Drilling technology has advanced to the point where it can meet deep water challenges, the NPD says.

Norway's first two oil discoveries were made in 1967 and 1968. They were followed by the discovery of the prolific Ekofisk field, but not until 33 wells were drilled to confirm its commerciality. The NPD likes to tell this story as a reminder to oil companies thinking of giving up in frustration with their lack of success in the Barents Sea.

Despite 25 years of intensive North Sea exploration, the NPD believes there may still be a considerable undiscovered resource potential. In the last few years several interesting small and medium-sized discoveries have been made close to existing infrastructure and in reallocated blocks undergoing renewed exploration.

The NPD estimates that about 25 per cent of total North Sea resources are still awaiting discovery.

Earlier this year, Saga Petroleum, Norway's biggest independent oil company, boosted estimates of the amount of oil found in its North Sea Snorre field by 10 per cent to 890m barrels. Snorre came on stream last autumn and still faces two further stages of development.

In the Norwegian Sea's Voering Basin, off the coast of mid-Norway and north of the emerging Haltenbanken oil and gas province, explorers drilled unsuccessfully for several years before three discoveries were made in 1990-92.

The NPD estimates total Norwegian Sea resources at 1,450m tonnes of oil equivalent, of which 42 per cent is oil and 58 per cent gas. Its statistical analysis shows a 95 per cent probability of finding 200m tonnes of petroleum and a 5 per cent probability of finding 2,200m tonnes.

The recently confirmed Norwegian Sea Norne field, operated by Statoil, the Norwegian state oil company, is believed to contain an estimated 400m barrels of oil and the company aims to bring it on stream in 1996.

"The Norne discovery opens up the region's future potential. . . but we struggled for a long time and drilled two dry wells before we struck oil," says Mr Kyrre Nese, Statoil's executive vice-president of exploration and development. He believes it will take another decade before sufficient exploration is undertaken in the field to reduce uncertainty over reserves potential.

On Haltenbanken, Norske Shell recently announced an upgrade of Draugen oil reserves by 160m barrels to 580m. Draugen is due to come on stream later this year. Mr Einar Knutsen, a Norske Shell director, says three-dimensional surveys undertaken in 1991 and 1992 triggered the possibility that Draugen might contain more oil. "I would not exclude the possibility of a further Draugen upgrade," he says.

Norske Shell is at present undertaking interpretative analysis of 3-D surveys of two blocks south of Draugen with a view to commencing exploration drilling next year to define the prospects. Mr Knutsen says that Statoil's Norne discovery is encouraging news but cautions that the industry will have to undertake years of drilling to gain sufficient knowledge of the region to be confident over its resource potential.

"Excluding Norne, there have been no other discoveries in the region," he says, adding that his company will concentrate on maximising recovery from Draugen and defining the prospects of blocks 6411 and 6412.

In the vast Barents Sea, Norway has found gas but made no commercial oil discoveries. In the Russian part of the Barents Sea, Shtokmanovskoye, believed to be the world's biggest offshore gas field, was discovered five years ago. The Russians also found oil there. In mid-August Norske Shell will drill the only well to be drilled this year in the Norwegian part of the Barents Sea.

"We have expectations, but this is a crucial well. If it is dry it will mean Shell has reached a crossroads in its commitment to the Barents Sea," Mr Knutsen says.

Mr Nese says the main challenge for Barents Sea explorers is to develop exploration models that can lead to oil discoveries. "We know there is significant gas reserves there and gas marketing efforts are under way, but the area is far away from gas markets."

The NPD estimates total resources in the Barents Sea to be 1,380m tonnes of oil equivalent, of which 14 per cent is oil and 86 per cent gas.

LCE expanding core contracts

By Alison Maitland

THE LONDON Commodity Exchange yesterday announced a further concentration of its effort on core contracts, with a planned expansion of trade in freight futures, grains and potatoes and the closure of poorly traded meat and soyameal contracts.

A study by Landell Mills, commodities consultants, highlighted the international importance of the Biffex freight futures contract and found UK interest in grain and potato contracts as a hedge against changes resulting from the General Agreement on Tariffs and Trade talks and European Community farm policy reform.

However, the study saw no prospect of developing the pigmeat, lamb and soyameal contracts, which have seen minimal trading this year.

The exchange's main contracts will remain cocoa, coffee and white sugar. But it plans to promote the freight, wheat, barley and potato contracts, which came with the takeover of the Baltic Futures Exchange in 1990. Freight futures volume averages 192 lots a day, with wheat and barley at 272 lots and potatoes just 81.

"We want to get the exchange to be focused – to be a soft commodities and agricultural exchange," said Mr Robin Woodhead, chief executive. "To have a whole lot of contracts which were illiquid didn't make any sense."

US imports of CIS aluminium jump

By Kenneth Gooding

THERE WAS a huge increase in US imports of aluminium from the Commonwealth of Independent States in the first quarter of this year, the US Aluminium Association said yesterday.

The total jumped from under 16,000 tonnes for the whole of 1992 to nearly 80,000 tonnes in the first three months of this year.

Analysts expect the flow to increase at an even greater rate following the European Commission's weekend decision to place short-term restrictions on CIS imports to the Community because of the "serious damage" being caused to the European aluminium industry. The CIS material is expected to be diverted to other markets.

So far the US association, in contrast to other US industries facing foreign competition, has not been asking the government for protection and has even argued against quotas. But Mr Paul O'Neill, chairman of Aluminum Company of America (Alcoa), the world's biggest aluminium producer, hinted on Tuesday that the US industry's stance might change in the light of the EC restrictions.

An official pointed out, however, that, because the association had such a wide variety of members, it would not be easy "to establish an industry position".

The association released the text of a letter it sent to Mr Micky Kantor, the US trade representative, last week just before the EC took its decision to act against the CIS.

The letter, signed by Mr David Parker, the association's president, urged "joint governmental efforts involving the EC, Russia, the US, Canada, Australia and other important aluminium trading countries". It said: "What is needed is not protectionism but the establishment by governments of rules of transition which will enable CIS aluminium producers to adapt to the laws of economics, the established world trading system and to implement modern environment, health and safety improvements."

It is understood that, following the association's approach, Mr Rufus Yerxa, deputy US trade representative, made informal contacts about the issue with Sir Leon Brittan, EC external economic affairs commissioner, on Friday, just before the commission decided to impose restrictions.

● Ironically, imports of CIS aluminium to the US early this year were boosted by US producers buying cheap Russian metal to blend with their own. Most of it was of a quality too low to be sold on the London Metal Exchange.

WORLD COMMODITIES PRICES

MARKET REPORT

US investment fund liquidation added to downward pressure in the GOLD market yesterday and the metal's price closed in London at $375.25 a troy ounce, down $3.95 on the day, wiping out what remained of Monday's rally. The price was still supported at $374 and then at $372, one dealer said, but it was highly unstable in an atmosphere of "aftershock" following last week's major price "correction". At the London Metal Exchange a rally in the three months COPPER price met resistance above $1,900 a tonne and the price closed at $1,892.50, up $5 from the level reached in after hours trading on Tuesday. Dealers said the market continued to derive support from nearby technical tightness. At the London Commodity Exchange robusta COFFEE futures closed with losses of up to $19 a tonne but held up comparatively well in view of the steep decline in US prices, dealers said. Heavy speculative selling caused "complete meltdown" with the New York September position 5.65 cents lower at 69.30 cents a lb in early trading, they said, but concern about short-term tightness limited losses in the London market.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.63-4.72u	+.215
Brent Blend (dated)	$16.54-6.56	+0.22
Brent Blend (Sep)	$16.69-6.71	+0.23
W.T.I (1 pm est)	$17.66-7.68u	+0.23

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-196	+4
Gas Oil	$159-161	+1.5
Heavy Fuel Oil	$61-62	
Naphtha	$158-160	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$375.25	-3.95
Silver (per troy oz)♣	467.5c	-3
Platinum (per troy oz)	$382.25	-0.75
Palladium (per troy oz)	$140.25	-0.25
Copper (US Producer)	90.00c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.31m	+0.06
Tin (New York)	225.5c	+1
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	130.48p	-0.01*
Sheep (live weight)†♣	90.64p	-2.84*
Pigs (live weight)†	72.29p	-0.50*
London daily sugar (raw)	$257.60	+4.6
London daily sugar (white)	$287.00	+3.8
Tate and Lyle export price	£286.00	+5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	£147	
Rubber (Sep)♥	60.00p	
Rubber (Oct)♥	60.50p	
Rubber (KL RSS No 1 Jul)	209.5m	+0.5
Coconut oil (Philippines)§	$460.0v	+2.5
Palm Oil (Malaysian)§	$355.0t	
Copra (Philippines)§	$293	-8
Soyabeans (US)	£203u	+1
Cotton "A" Index	55.85c	+0.1
Wooltops (64s Super)	351p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug.v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	259.90	264.30	263.00 259.30
Mar	262.00	265.50	265.00 262.00
May	263.00	267.60	264.00 262.60
Aug	275.90	265.50	275.90
Oct	268.40	267.60	268.40 266.90

White 1138 (679) Paris- White (FFr per tonne): Oct 1571.40

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low
Sep	16.72	16.56	16.76 16.60
Oct	16.88	16.72	16.91 16.76
Nov	17.04	16.89	17.07 16.93
Dec	17.19	17.03	17.19 17.13
Jan	17.27	17.15	17.28 17.27
Feb	17.39	17.28	17.39
Mar	17.42	17.24	17.43 17.42
Apr	17.50	17.45	17.50
IPE Index	16.56	16.51	

Turnover 28440 (39290)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low
Aug	157.50	156.75	157.75 157.00
Sep	159.00	157.75	159.50 158.25
Oct	161.75	159.75	161.75 160.50
Nov	163.75	162.00	163.75 162.75
Dec	165.75	164.00	166.00 164.75
Jan	167.25	165.75	167.50 166.50
Feb	167.25	166.00	167.50 167.50
Mar	165.75	164.50	166.25 165.00

Turnover 16351 (13261) lots of 100 tonnes

WOOL

Australian wool prices continued to slip this week, with the market indicator declining slightly each selling day. Demand was insufficient to lead to a good clearance at any of the sales and the overall proportion passed in was nearly 15%. The Wool Corporation's market indicator at 434 cents a kg is now 10 cents below its closing level in June. After a hopeful opening day the market is again illustrating the inadequacy of demand in relation to supply. Recession is mentioned as a major cause and the absence of the old Soviet Union is of even greater basic importance.

COCOA - LCE £/tonne

	Close	Previous	High/Low
Sep	737	720	740 723
Dec	757	741	760 743
Mar	774	759	776 760
May	783	769	785 773
Jul	794	779	793 780
Sep	805	789	805 799
Dec	819	803	819 814
Mar	832	816	833 832
May	841	825	840 834

Turnover: 5488 (4814) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 10 726.65 (729.77) 10 day average for Aug 11 749.70 (752.32)

COFFEE - LCE $/tonne

	Close	Previous	High/Low
Sep	1139	1156	1163 1136
Nov	1121	1134	1137 1117
Jan	1091	1109	1115 1090
Mar	1072	1094	1097 1070
May	1060	1081	1096 1070
Jul	1065	1078	1087 1068
Sep	1070	1095	- -

Turnover: 5928 (3741) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 10Comp. daily 66.44 (67.36) 15 day average 64.41 (64.08)

POTATOES - LCE £/tonne

	Close	Previous	High/Low
Mar	95.0	95.0	100.0 95.0
Apr	80.8	83.1	82.4 80.6
May	90.8	93.3	91.0 90.8

Turnover 126 (57) lots of 20 tonnes.

SOYAMEAL - LCE £/tonne

	Close	Previous	High/Low
Aug	-	166.50	

Turnover 0 (80) lots of 20 tonnes.

FREIGHT - LCE $10/index point

	Close	Previous	High/Low
Aug	1394	1400	1400 1380
Sep	1435	1438	1435 1435
Oct	1475	1475	1477 1450
Nov	1485	1490	1490 1480
Jan	1501	1505	1501 1480
BFI	1344	1342	

Turnover 433 (410)

GRAINS - LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	105.40	106.00	107.00 105.40
Nov	107.00	107.20	108.20 106.50
Jan	108.55	109.00	109.90 108.50
Mar	110.40	111.10	112.00 110.40
May	112.30	113.10	114.00 112.30
Jun	113.25	-	114.25 113.25
Barley	**Close**	**Previous**	**High/Low**
Nov	102.80	103.45	104.00 102.80

Turnover: Wheat 266 (249) Barley 183 (111).
Turnover lots of 100 Tonnes.

PIGS - LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	98.5	101.8	101.5 98.5
Nov	103.0	103.8	103.7 103.0
May	105.5	104.5	105.5
Jun	105.5	104.5	105.5

Turnover:15 (3)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 35,888 lots
Cash	1171-1.5	1166-7	1181.5	1181-1.5		
3 months	1194.5-5.0	1209-10	1211/1190	1205-5.5	1190-1	240,091 lots
Copper, Grade A ($ per tonne)						Total daily turnover 69,222 lots
Cash	1924-5	1935.5-7.5	1935/1933	1934.5-5.0		
3 months	1892-3	1896-7	1908/1891	1902-3	1893-4	212,951 lots
Lead ($ per tonne)						Total daily turnover 2,227 lots
Cash	390-1	392-3		390-0.5		
3 months	403-3.5	404.5-5.0	404/403	403-3.5	403-3.5	24,848 lots
Nickel ($ per tonne)						Total daily turnover 5,146 lots
Cash	4825-30	4860-70		4830-1		
3 months	4880-3	4915-20	4890/4880	4885-6	4880-6	45,454 lots
Tin ($ per tonne)						Total daily turnover 1,885 lots
Cash	4865-75	4835-45		4855-60		
3 months	4920-30	4890-5	4925/4905	4911-3	4925-30	10,572 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 19,646 lots
Cash	887.5-8.5	871.5-2.0		887.5-8.5		
3 months	883-3.5	887-8	897/881	884.5-5.0	882.5-3.5	78,271 lots

LME Closing £/$ rate:
SPOT: 1.4740 3 months: 1.4644 6 months: 1.4577 9 months: 1.4522

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	375.00-375.50	
Opening	381.40-381.80	
Morning fix	381.35	258.157
Afternoon fix	376.00	255.452
Day's high	382.00-382.50	
Day's low	374.00-374.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.59	6 months	2.62
2 months	2.59	12 months	2.65
3 months	2.59		

Silver fix	p/troy oz	US cts equiv
Spot	325.20	478.50
3 months	329.90	482.20
6 months	334.25	486.40
12 months	342.35	494.85

GOLD COINS

	$ price	£ equivalent
Krugerrand	381.50-384.50	259.00-261.00
Maple leaf	386.45-388.85	-
New Sovereign	90.00-93.00	61.00-63.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1175	17	51	15	26
1200	7	38	30	38
1225	3	27	50	52
Copper (Grade A)	**Calls**		**Puts**	
1900	52	71	22	81
1950	27	50	47	111
2000	12	35	81	146
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
1150	23	60	34	89
1200	8	43	69	122
1250	2	31	113	160
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	19	55	7	23
750	7	40	20	33
775	2	30	40	48
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1700	5	39	45	-
1750	-	19	-	-
1800	-	11	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	375.3	380.9	379.0	374.0
Sep	375.9	381.6	0	0
Oct	376.8	382.5	383.8	375.0
Dec	378.7	384.4	385.8	377.0
Feb	380.7	386.4	387.5	379.5
Apr	382.5	388.2	383.7	381.8
Jun	384.4	390.1	385.2	384.0
Aug	386.2	391.9	388.0	386.5
Oct	388.1	393.8	391.0	388.7

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	389.3	393.9	0	0
Oct	391.3	395.9	396.9	399.0
Jan	392.1	396.9	397.0	391.0
Apr	393.1	397.4	394.0	394.0
Jul	393.9	398.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	467.0	475.1	0	0
Sep	467.8	476.0	479.5	465.0
Oct	469.2	477.4	471.0	471.0
Dec	472.5	480.7	484.5	470.0
Jan	473.1	481.3	0	0
Mar	477.6	485.8	489.0	476.0
May	481.2	489.4	485.0	480.0
Jul	484.5	492.7	488.5	484.0
Sep	488.2	496.4	494.5	492.0
Dec	493.6	501.8	498.0	488.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	83.45	83.00	83.45	83.45
Sep	83.70	83.35	84.10	83.05
Oct	83.80	83.50	84.00	83.55
Nov	83.90	83.65	0	0
Dec	84.00	83.80	84.50	83.70
Jan	84.25	84.05	0	0
Feb	84.45	84.25	84.70	84.70
Mar	84.70	84.50	85.10	84.70
Apr	84.90	84.70	0	0
May	85.10	84.85	85.20	85.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	17.74	17.52	17.80	17.51
Oct	18.12	17.90	18.15	17.83
Nov	18.35	18.16	18.37	18.27
Dec	18.51	18.34	18.54	18.44
Jan	18.62	18.50	18.65	18.60
Feb	18.80	18.62	18.79	18.74
Mar	18.82	18.72	18.88	18.82
Apr	18.93	18.81	18.94	18.90
May	19.02	18.90	19.03	19.00
Jun	19.10	18.97	19.10	19.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	50.95	50.01	51.10	49.90
Oct	52.05	51.24	52.10	51.45
Nov	53.20	52.44	53.25	52.75
Dec	54.25	53.59	54.40	53.80
Jan	55.15	54.49	55.15	54.80
Feb	55.70	55.04	55.70	55.50
Mar	54.95	54.54	55.00	54.95
Apr	54.00	53.64	54.30	54.00
May	52.94	52.94	0	0
Jun	52.85	52.54	52.85	52.85

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	917	905	921	910
Dec	965	951	968	957
Mar	997	984	1001	981
May	1015	1002	1013	1011
Jul	1035	1022	1035	1035
Sep	1055	1042	0	0
Dec	1083	1070	1075	1075
Mar	1106	1093	1101	1100
May	1124	1111	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	70.10	74.95	75.25	69.10
Dec	73.00	77.80	77.85	71.80
Mar	74.90	79.85	80.10	74.55
May	76.20	81.25	81.25	75.50
Jul	77.65	82.50	81.00	77.25
Sep	78.50	83.75	79.00	79.00
Dec	84.25	86.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.89	9.84	9.93	9.65
Mar	9.80	9.86	9.99	9.80
May	9.90	10.01	10.02	9.90
Jul	9.98	10.11	10.03	9.99
Oct	10.00	10.10	10.15	10.00

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	55.63	56.63	56.70	55.61
Dec	56.76	57.80	57.75	56.66
Mar	58.27	58.94	59.10	58.10
May	58.92	59.58	59.50	59.00
Jul	59.55	60.30	59.75	59.75
Oct	59.95	60.75	0	0
Dec	60.25	60.66	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	116.65	117.55	119.30	115.60
Nov	118.90	120.85	122.25	118.80
Jan	120.60	122.50	123.90	120.60
Mar	122.25	124.00	123.50	122.25
May	123.25	125.45	125.65	123.25
Jul	122.25	125.45	122.25	122.25
Sep	120.25	123.45	0	0
Nov	120.25	123.45	0	0
Jan	120.25	123.45	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Aug 11	Aug 10	mnth ago	yr ago
1644.7	1639.3	1706.8	1531.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug 10	Aug 9	mnth ago	yr ago
Spot	124.68	124.76	120.17	116.66
Futures	127.55	128.11	121.00	118.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	679/2	669/4	681/0	669/4
Sep	681/4	669/6	684/0	669/0
Nov	683/2	673/2	686/0	672/0
Jan	688/4	677/4	689/4	677/0
Mar	689/0	680/4	692/0	680/0
May	692/0	681/4	693/4	680/4
Jul	691/6	682/2	694/4	682/4
Aug	686/0	676/0	686/0	676/4
Sep	646/4	645/0	646/4	643/0
Nov	622/2	623/6	624/0	618/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.90	23.65	23.90	23.68
Sep	23.93	23.74	23.99	23.75
Oct	24.06	23.85	24.13	23.90
Dec	24.30	24.09	24.35	24.12
Jan	24.41	24.15	24.46	24.20
Mar	24.55	24.28	24.58	24.30
May	24.59	24.30	24.60	24.42
Jul	24.60	24.27	24.60	24.45
Aug	24.55	24.20	0	0
Sep	24.30	23.99	24.30	24.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	219.4	215.4	220.0	215.5
Sep	216.9	213.7	218.2	213.5
Oct	217.0	212.7	217.0	212.2
Dec	215.7	212.3	216.8	212.0
Jan	215.0	211.5	216.5	211.5
Mar	213.7	211.5	215.0	211.5
May	212.2	210.4	213.0	210.5
Jul	210.2	208.5	211.0	209.8
Aug	208.0	208.5	209.0	208.0
Sep	205.5	205.0	208.5	205.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	240/6	239/6	241/2	237/6
Dec	247/2	245/6	247/6	244/6
Mar	254/6	253/0	255/0	251/6
May	258/2	257/4	259/4	257/2
Jul	261/4	259/6	261/4	258/6
Sep	252/0	252/4	253/0	252/0
Dec	244/4	245/2	245/4	244/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	313/4	310/6	317/0	310/0
Dec	321/6	318/0	323/0	318/6
Mar	323/2	320/2	326/0	319/2
May	316/4	314/0	319/0	315/0
Jul	303/0	302/2	305/0	301/6
Sep	306/2	305/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	75.925	76.125	76.275	75.800
Oct	75.375	75.625	75.775	75.275
Dec	75.475	75.475	75.750	75.375
Feb	75.675	76.925	76.200	75.650
Apr	76.950	77.100	77.275	76.850
Jun	73.600	73.725	73.900	73.600
Aug	72.225	72.200	72.600	72.225

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	48.450	48.300	48.750	48.075
Oct	44.825	44.825	45.400	44.800
Dec	44.675	44.500	45.075	44.425
Feb	44.500	44.275	44.850	44.300
Apr	43.400	43.200	43.700	43.250
Jun	48.800	48.300	49.025	48.600
Jul	47.900	47.500	48.050	47.750
Aug	46.675	46.675	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	41.675	41.400	41.950	41.050
Feb	47.900	47.075	48.225	47.400
Mar	47.300	46.525	47.750	47.200
May	48.000	47.550	48.500	47.550
Jul	49.000	49.000	0	0
Aug	49.000	48.900	49.000	46.650

LONDON STOCK EXCHANGE

Footsie breaks through 3,000 barrier

By Terry Byland, UK Stock Market Editor

THE FT-SE 3,000 mark became the test of the stock market's virility yesterday and the successful challenge to this important benchmark dominated all other considerations. The pace was set by the stock index futures sector and it was the success of the September contract in breaking through to new highs that drove the stock market to its new peak.

The final reading showed the FT-SE Index at an all-time high of 3,006.1, a net gain of 34.5 on the day. Equities opened lower but London was soon encouraged by a further cut in interest rates in France. When the stock index futures opened, share prices began to move ahead and the 3,000 level on the Footsie was first challenged around mid-session.

Heavy arbitrage trading developed, with the large securities firms endeavouring to profit by selling the future contract at its peak and then buying the underlying stocks. However, serious problems appeared when they found stock very difficult to find. A bidding competition soon commenced and share prices were driven yet further ahead.

The upturn was checked for a while, however, when the selling of the future took the steam out of the situation. But buyers for the future soon reappeared and there was no holding either the September contract or the stock market. At best, the Footsie set a new trading high of 3,010.1.

Trading volume, slow to begin with, rose sharply in the second half of the session and the final Seaq figure of 830.4m shares compared with 771.9m on Tuesday.

Dealers maintained that the managers of the big investment funds had mostly kept out of yesterday's highly-charged market. In the previous session, customer, or genuine investment business in equities rose to £1.57bn, fully sustaining the excellent volume levels recorded over the past eleven months.

The market was led by sectors expected to benefit from the cut in UK base rates which is now confidently expected this autumn. The banking sector, having ridden through its reporting season, renewed its advance, behind the lead of HSBC which continued to benefit from the good showing of its UK Midland banking subsidiary.

Consumer stocks, including stores and brewers, were to the fore as investors looked for higher profits as the improvement in the UK economy feeds through. But the pharmaceutical sector, which has performed so poorly this year, continued to drag behind the rest of the market.

Also weak again were shares in BOC, which shook the stock market this week with the issue of a veiled profits warning. Some analysts continued to warn that BOC's experience underlines worries over the high ratings on UK equities.

With market firms totally preoccupied with the day's events, equity strategists were not hurrying to change longer term views on the market yesterday. The question asked at every meeting last night was whether the institutions will now come in to support share prices above 3,000 or whether they will stand back and see if prices can hold at these levels.

At NatWest Securities, Mr Rob Buckland pointed out that the new bullish factor for equities over the past fortnight was the strength of the government bond market, and that much will depend on how this sector performs.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	4,100	62¾	
Abbey National†	3,200	414	+8
Albert Fisher	3,100	58	+1
Allied-Lyons†	2,200	600	+5
Anglian Water†	1,000	438	+3
Argos	315	340	+3
Argyll Group†	2,200	318	-3
Arjo Wiggins†	1,000	202	+2
Assoc. Brit. Foods†	812	486	+5
Ass. Brit. Ports	349	482	+9
BAA†	1,100	803	+6
BAT Inds.†	5,700	465	+7
BET	8,200	138	+3
BICC	1,100	435	-3
BOC†	3,500	646	-6
BP†	12,000	305½	-3½
BPB Inds.	3,000	240	+5
BT†	18,000	429½	+9½
BT (PtPaid)	13,000	268	+4½
BTR†	7,900	407	+5
Bank of Scotland†	2,100	189	+3
Barclays†	4,900	505	+7
Bass†	4,500	480	+6
Blue Circle†	1,700	278	+6
Booker	776	437	+17
Boots†	6,900	488	-2
Bowater†	3,100	475	+9
Brit. Aerospace†	1,100	484	+10
British Airways†	7,100	353½	+5½
British Gas†	25,000	328	+13½
British Land	921	366	+8
British Steel†	29,000	117	+4½
Bunzl	474	184	-1
Burmah Castrol†	149	759	+9
Burton	5,900	78	+1
Cable & Wire.†	4,200	836	+17
Cadbury Schweppes†	921	475	-2
Calor Group	12	256	
Carlton Comms.†	609	792	+20
Coats Viyella†	1,500	246	+4
Comm. Union†	3,500	661	+12
Cookson	3,000	220	+2
Courtaulds†	598	580	+8
Dalgety	729	468	
De La Rue†	337	689	+5
Dixons	6,300	283	-1
Eastern Elect.	576	513	+8
East Midland Elect.	693	498	+8
Eng China Clays	368	482	
Enterprise Oil†	2,100	437	-2
Eurotunnel Units	501	488	+12
FKI	2,100	154	+1
Fisons	716	169	+1
Foreign & Col. I.T.	1,900	265	+4½
Forte†	3,500	230	+5
Gen. Accident†	1,800	694	+11
General Elect.†	2,800	352	+3
Glaxo†	5,600	618	-8
Glynwed Int.	494	317	+5
Granada†	2,400	410	
Grand Met.†	5,400	442	+14
GUS A†	302	2048	+25
GRE†	2,000	207	+4
GKN	888	507	
Guinness†	2,800	472	+11
HSBC (75p shs)†	3,500	744	+23
Hammerson 'A'	2,400	348	+11
Hanson†	18,000	255¼	+3¾
Harrisons Crosfield	3,400	195	+2
Hillsdown	3,400	165	+8
IMI	60	306	+5
ICI†	1,300	685	+7
Inchcape†	2,300	547	+5
Johnson Matthey	483	487	+3
Kingfisher†	1,400	654	+19
Kwik Save	575	678	-4
Ladbroke†	7,600	209	+8
Land Securities†	2,600	680	+15
Laporte	287	638	+2
Legal & General†	1,200	493	+3
Lloyds Abbey	875	431	+2
Lloyds Bank†	4,800	544	+10
LASMO	5,600	135	-1
London Elect.	421	515	+8
Lonrho	903	130	+½
Lucas	1,800	155	+2
MB Caradon†	1,100	292	-3
MEPC	3,000	493	+15
MFI	5,000	148	-2
Manweb	245	554	+6
Marks & Spencer†	4,300	394	+6
Midlands Elect.	129	524	+4
Morrison (Wm.)	667	150	
NFC†	292	256	+2
NatWest Bank†	6,800	436	-1
National Power†	2,800	357	+2
Next	7,400	202½	-3
North West Water†	1,200	485	+2
Northern Elect.	313	657	+3
Northern Foods†	1,700	275	+4
Norweb	42	549	+3
Pearson†	3,000	488	+8
P & O†	900	674	+7
Pilkington	929	144	+1
PowerGen†	2,500	391	+3
Prudential†	4,800	330	+2
RMC†	818	798	+2
RTZ†	2,200	885	+7
Racal	136	242	+2
Rank Org.†	558	784	+20
Reckitt & Colman†	740	600	+10
Redland†	1,500	530	+4
Reed Intl.†	7,500	670	+7
Rentokil†	1,400	209	+4
Reuters†	1,300	1505	-19
Rolls Royce	3,800	150	+2
Rothmans†	1,400	662	-4
Ryl Bk Scotland†	1,800	300	+7
Royal Insurance†	2,600	344	+1
Saatchi	1,000	182	-8
Sainsbury†	1,500	475	+9
Scottish & New.†	1,200	456	+4
Scot. Hydro-Elect.†	1,300	362½	+1½
Scottish Power†	1,500	346	+8
Sears†	14,000	114	+4
Sedgwick	2,200	206	-2
Seeboard	480	562	+9
Severn Trent Water†	808	498	+3
Shell Transport†	3,400	652	+8
Siebe†	1,200	555	+7
Slough Ests	3,700	238	+8
Smith (W.H.) A	530	480	+15
Smith & Nephew†	1,800	148	+1
SmKl Beecham†	1,100	436½	+5½
SmKl Beecham Uts.†	1,700	395	+6
Smiths Inds.	553	375	-4
Southern Elect.	570	528	+8
South Wales Elect.	81	577	+6
South West Water	939	515	-3
South West. Elect.	139	522	+8
Southern Water	1,000	521	+2
Standard Chartd.†	1,300	898	+16
Storehouse	3,700	220½	+4½
Sun Alliance†	1,000	397	+7
T&N	2,200	217	+2
TI Group†	2,200	358	-8
TSB†	1,200	217	+1
Tarmac	2,300	145	-1
Tate & Lyle†	1,800	400	
Taylor Woodrow	538	123	
Tesco†	4,800	218	+2
Thames Water†	2,200	499	+1
Thorn EMI†	883	992	+23
Tomkins†	4,800	233½	+3
Trafalgar House	2,800	104	
Unigate	607	390	+6
Unilever†	1,900	985	+14
United Biscuits†	1,600	375	-2
Utd. Newspapers	1,100	558	+2
Vodafone†	4,200	505	+6
Warburg (SG)†	781	809	+12
Wellcome†	2,300	845	-14
Welsh Water	393	584	+5
Wessex Water	172	590	+4
Whitbread 'A'†	3,300	533	+17½
Williams Hldgs.†	3,000	337	+1
Willis Corroon	1,500	238	-2
Wimpey	1,800	190	+3
Wolseley†	588	843	+3
Yorkshire Elect.	468	548	+4
Yorkshire Water	453	504	+1
Zeneca†	1,400	662	+2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Aug 2	Aug 16	Sep 6
Option Declarations:		
Aug 12	Sep 2	Sep 16
Last Dealings:		
Aug 13	Sep 3	Sep 17
Account Day:		
Aug 23	Sep 13	Sep 27

*New time dealings may take place from two business days earlier.

Heavy trading in Gas

THE STRONG build-up of interest in British Gas shares evident since the start of this week intensified yesterday when turnover in the stock expanded to a hefty 21m shares in the wake of buy recommendations from many of the market's top broking firms.

These were said to have included leading lights such as Kleinwort Benson, James Capel, SG Warburg and UBS.

The weight of buying of Gas shares was sufficient to catapult the stock to an all-time record of 329p. The shares came off the top late in the session to close a net 13½ higher at 328p. Since the start of this week Gas shares have risen 21p.

There were lingering concerns that the recent bout of strong buying interest in Gas could have been triggered by a leak of the conclusions of the Monopolies and Mergers Commission inquiry into the gas industry, expected next Tuesday. The full inquiry into British Gas will be published in September. There have been worries in the market that the MMC might recommend the break up of Gas.

Dealers also pointed to the very high levels of activity in Gas shares this week. On Monday turnover was a heavy 19m and on Tuesday reached 11m.

Kleinwort Benson, in a buy note on British Gas, published on Tuesday, said that while it is dangerous to prejudge the MMC enquiries it believes most of the possible changes will have a relatively small impact on short-run profitability and that in the long run impact will be more than balanced by the growth in unregulated earnings. "Gas's yield relative more than discounts the enquiry; given the downward trend in interest rates, the 6 per cent yield is attractive," said the Kleinwort team.

Other analysts adopted a more cautious view, however, pointing out that after their recent bout of exceptional outperformance, Gas shares could attract profit-taking, with one adding that "the shares have offered an above average yield since the 1986 privatisation".

CU pleases

The market gave an immediate thumbs up to Commercial Union's interim results, with dealers hoisting the share price after the unexpected moves on the dividend front.

CU increased its interim dividend from 8.95p to 15.1p, brought forward the payment date and offered shareholders an enhanced scrip dividend alternative worth 22.65p a share.

Half-year profits of £65.5 were well ahead of market expectations which had ranged up to £60m and compared with a loss of £23.7m.

But it was the moves on the dividend which triggered a sharp rise in CU shares. They moved to a peak 687p immediately following the results before easing back to end a busy session a net 11 higher at 661p. "It was a beautifully timed move, coming the day after GenAcc maintained their interim payment," said one marketmaker.

Analysts moved quickly to increase their full year forecasts; Morgan Stanley moved up to £200m for the full-year while BZW upped their expectation from £175m to £188m with a dividend forecast of 24.5p.

Brewery deal hint

Speculation that Grand Metropolitan may be making renewed attempts to sell its Chef and Brewer chain of pub-restaurants helped spur the shares on in a strong drinks sector. Analysts said the rumours had been prompted by the sale earlier this week of 44 pubs by Bass to Greene King for £17.5m.

The drinks sector has been alive with talk of the imminent sale of Chef and Brewer for several months, but the consensus in the market was that negotiations with several parties had foundered over price. Grand Met was thought to be seeking around £750m for the 1,600-strong chain. However, drinks specialists said that the company may now be considering splitting up the division into more saleable parcels. Whitbread was one name being linked to the speculation yesterday.

Shares in Grand Met, boosted also by Procter and Gamble figures from the US, gained 14 to 442p. Bass gained 8 to 490p as it announced good trading at its Holiday Inn chain. Whitbread powered ahead on further speculation that the group may consider enfranchising its non-voting shares. The shares added 17½ to 533p.

BP was one of only a handful of Footsie 100 stocks to lose ground on a day when the market raced ahead to an all-time high, the shares coming under increasingly heavy bouts of straight selling and switching pressure. Some of the big international funds were said to have sold BP and switched into Shell, with the performances of the respective share prices giving added credence to the market stories.

BP lost 3¼ to 305½p, having been as low of 303½p at one point during the session. Turnover was a heavy 12m shares. Shell, on the other hand, rose 8 to a 10-year high of 652p.

"There seems to be growing scepticism among the institutions about BP's recovery story," said one analyst who added that "BP shares have lost their momentum".

The exploration and production sub-sector remained firmly in the doldrums, beset by the recent poor performance of crude oil prices. The resignation on Tuesday of Mr John Walmsley, Enterprise Oil's finance director and one of the architects of the oil company's success during 1980s and 1990s, continued to weigh on the company's shares which fell further to 435p before stabilising and settling 2 easier at 437p on relatively high turnover of 2.1m. NatWest Securities oil team said the resignation "will do little to assuage the market's faltering confidence in Enterprise". Hopes that Lasmo shares might progress at the expense of Enterprise failed to materialise, with Lasmo closing marginally easier at 135p.

Standard Chartered, due to announce interims this morning, recovered strongly from an early poor performance triggered largely by worries that the figures could be accompanied by a sizeable cash call. "If there is a rights issue, and that is by no means certain, then the market is quite prepared," said one trader. Standard fell to 880p at the outset, but early selling quickly dried up, to be replaced by strong buying interest which drove the shares back up to a closing level of 898p, a net rise of 16.

Standard's profits are forecast to rise from last year's £64m to around £1215m to £180m with the dividend expected to be increased to 8p from 7p.

HSBC raced up 23 to 744p, reflecting the bank's exceptionally strong interests in the Pacific Rim and its purchase of Midland Bank at what is seen as just about the bottom of the banking cycle.

The property sector was the best performer in the market as investors sought both recovery potential and yield attractions. British Land, buoyed by its deal with the Quantum Fund, gained 8 to 366p. Hammerson added 11 to 349p, Land Securities 15 to 66p and MEPC 15 to 493p.

Bargain-hunters were again seen in Owners Abroad as investors, soothed by Tuesday's appointment of a new chairman, sought stock. Dealers said one block of 2m shares was bought at 78p and sold on at 78½p. Total turnover was 5.6m. The shares added 2 to 79p. Switching out of rival tour operator Airtours left the stock 6 adrift at 369p.

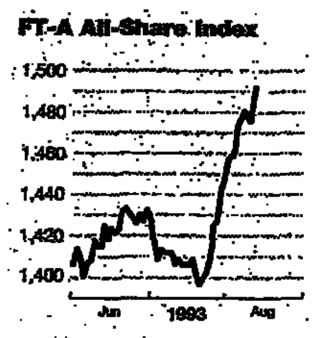
Theme park operator Euro Disney recovered on news of the French rate cut and the shares appreciated 22 to 705p. Kingfisher, which owns the Darty French retail chain, surged 19 to 654p. Guinness gained 11 to 472p. The group has a 24.6 per cent cross-holding with the French luxury goods group LVMH.

Shares in Reuters Holdings, the global data transmission group, were active again after Daily Mail & General Trust issued a £50m bond convertible into Reuters stock held by the trust. Reuters shares eased another 19 to 1505p on the realisation that this move will make more stock available in the market. Further profit-taking after the recent strength of the share price was also a significant factor.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Zhang Tingting.

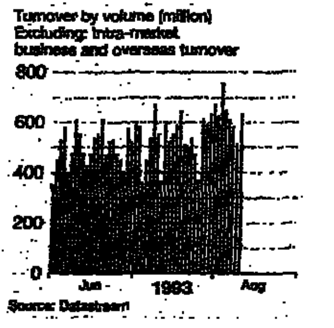
■ Other statistics, Page 16

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (455).

BRITISH FUNDS (52) OTHER FIXED INTEREST (3) AMERICANS (10) CANADIANS (3) BANKS (14) BREWERS (3) Eldridge Pope, Matthew Clark, Whitbread, BLDG MATLS (6) Blue Circle, Lafarge Coppee, Marley, Marshalls 6¾pc Pf., Newman-Tonks, Sheffield Insltns., BUSINESS SERVS (5) BET, Chubb, Hogg Robinson, MITIE, Serco, CHEMS (4) Akzo, BTP, Halstead (J), Schering, CONGLOMERATES (2) Daimler-Benz, Hansons & Crosfield, CONTG & CONSTRCN (13) ELECTRICALS (6) BICC 10¾pc Cv '20, Critchley, NEC, Philips, Sony, Toshiba, ELECTRICITY (2) China Light, Northern Ireland, ELECTRONICS (3) Druck, Fairey, Tunstall, ENG AERO (2) Brit. Aerospace, Do 7¾pc Pf., ENG GEN (6) Bullough, David Brown, Halma, IMI, Renold, Siebe, Vickers, Weir, FOOD MANUF (5) Acatos & Hutcheson, Greencore, Matthews (B), FOOD RETAILING (1) Dairy Farm, HEALTH & HSEHOLD (2) Swallowfield, Westminster H'care, HOTELS & LEIS (3) Aberdeen Steak Hse., Quadrant, Stakis, INSCE BROKERS (1) Lowndes Lambert, INSCE COMPOSITE (6) American Intl., Commercial Union, FAI, General Accident, Mitsui, Sun Alliance, INSCE LIFE (1) Lincoln Natl., INV TRUSTS (160) MEDIA (7) Aegis 8¾pc Pf., Flextech, Metal Bulletin, More O'Ferrall, News Corp., Pearson, VTR, MERCHANT BANKS (12) MTL & MTL FORMING (3) Brit. Steel, Glynwed, MISC (6) Photo-Me, Ricardo, Slantnight, UK Safety, MOTORS (14) OIL & GAS (6) Brit. Borneo, Brit. Gas, Burmah, Royal, Shell, Victoria, OTHER FINCL (22) OTHER INDLS (6) BTR, Do Wts. '92-93, Do '95-96, Suter, Vinten, PACKG, PAPER & PRNTG (5) Enso-Gutzeit, Gibbon Lyons, Low & Bonar, Shelton, Waddington (J), PROP (21) STORES (11) TELE NETWORKS (4) Cable & Wireless, Do 7pc Cv. '06, Securicor, Do N/V, TEXTS (2) Alexandra Workwear, Drummond, TRANSPORT (7) All Nippon Airways, Assoc. Brit. Ports, Brit. Airways, Do 9¾pc Cv., Forth Ports, P & O Defd., Tibbett & Britten, MINES (3) CRA, Central Pacific, Southern Pacific.

NEW LOWS (14).

BLDG MATLS (2) Gateshead Robey, Quiligoti, CHEMS (1) Hickson, CONTG & CONSTRCN (2) Ball (AH), Donelon Tyson, FOOD MANUF (2) Ensco, HEALTH & HSEHOLD (2) Intercare, (1) Sims, HEALTH & HSEHOLD (1) MTL & MTL FORMING (1) Seton H'care, MTL & MTL FORMING (1) Johnson & Firth, MISC (1) Ross, OIL & GAS (1) Ex. Co Louisiana, OTHER INDLS (1) Marling, TEXTS (1) Conrad, MINES (1) Molings Res.

FINANCIAL TIMES EQUITY INDICES

	Aug 11	Aug 10	Aug 9	Aug 6	Aug 5	Year ago	* High	* Low
Ordinary share	2379.1	2360.3	2374.5	2361.0	2336.4	1715.3	2379.1	2124.7
Ord. div. yield	3.89	3.91	3.88	3.90	3.94	5.34	4.52	3.88
Earning yld % full	4.68	4.71	4.67	4.70	4.69	7.64	6.38	4.67
P/E ratio net	27.28	27.12	27.38	27.21	27.30	16.52	27.38	19.40
P/E ratio nil	25.23	25.08	25.32	25.16	25.22	15.37	25.32	18.14
Gold Mines	207.4	211.2	208.9	203.4	218.5	85.8	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2379.1 11/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2358.8	2355.0	2368.3	2373.5	2371.1	2376.4	2375.5	2380.1	2379.4	2381.1	2351.7

Volume	Aug 11	Aug 10	Aug 9	Aug 6	Aug 5	Year ago
SEAQ Bargains	37,797	37,682	34,200	31,253	28,128	16,408
Equity Turnover(£m)†	-	1568.0	1186.1	1481.3	1414.6	699.6
Equity Bargains†	-	42,919	38,250	36,089	32,186	18,190
Shares traded (ml)†	-	643.7	507.9	587.1	614.5	359.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THE futures market powered to a new high yesterday as buyers broke cover on the back of renewed hopes for European interest rate cuts and growing confidence in the UK economy, writes Christopher Price.

Within an hour of opening the September contract was beginning its surge forward, finding resistance levels at 3,006 and 3,010 against any attempt at profit-taking.

It was familiar sentiment driving September on. Further trimming of French rates, with rumours of a full one-point cut today were being heard. News of a positive Bank of England report on inflation also heightened speculation of a UK rate cut, which added further spice to the very firm gilts market.

Dealers said that the pace of the rally prompted large-scale arbitraging between the future and cash markets which mopped up excess stock and squeezed the equity side higher. But there were genuine buyers too, as yesterday's turnover of over 10,000 contracts showed.

September eventually closed at 3,019, a 39-point rise on the day and a 10-point premium to its fair value level of about three.

Turnover in traded options also reflected the day's excitement, with 46,500 contracts dealt.

British Gas was the leading stock option, with 5,857 contracts traded, followed by BT on 3,264. FT-SE volume was 13,037 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3006.1 +34.5	3430.6 +23.8	1491.80 +15.15

	Aug 11	Day's change %	Aug 10	Aug 9	Aug 6	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3006.1	+1.2	2971.6	2985.4	2969.8	2303.1	3.81	5.73	21.64	57.86	1083.43
FT-SE Mid 250	3430.6	+0.7	3406.8	3399.4	3392.8	2212.1	3.53	5.68	21.90	62.68	1229.03
FT-SE Mid 250 ex Inv Trusts	3441.8	+0.7	3419.5	3413.2	3407.1	2223.1	3.63	6.06	20.65	64.15	1228.55
FT-SE-A 350	1507.3	+1.1	1491.6	1496.6	1489.4	1113.3	3.74	5.72	21.70	28.67	1113.59
FT-SE SmallCap	1706.74	+0.6	1696.39	1688.79	1682.55	-	3.30	4.05	34.27	26.72	1278.87
FT-SE SmallCap ex Inv Trusts	1694.52	+0.5	1686.58	1678.56	1672.18	-	3.50	4.50	31.86	27.94	1270.77
FT-A ALL-SHARE	1491.80	+1.0	1476.65	1480.86	1473.92	1097.21	3.72	5.61	22.19	28.08	1121.89
1 CAPITAL GOODS(214)	1082.45	+0.8	1074.20	1073.77	1067.26	700.44	3.69	3.91	33.71	21.41	1271.11
2 Building Materials(28)	1145.68	+0.7	1137.18	1141.95	1136.67	715.10	4.09	3.38	41.56	21.58	1324.19
3 Contracting, Construction(29)	1014.15	+0.7	1006.91	992.53	986.16	566.11	3.24	1.29	80.00†	14.25	1400.27
4 Electricals(15)	3157.32	-0.7	3180.64	3191.56	3185.38	2023.39	4.28	4.65	27.55	67.43	1272.82
5 Electronics(38)	2820.90	+0.6	2902.36	2904.85	2880.75	1862.63	2.98	5.72	21.40	62.42	1278.61
6 Engineering-Aerospace(7)	448.30	+0.9	444.31	442.81	437.10	297.04	3.29	‡	‡	6.61	1547.91
7 Engineering-General(48)	632.42	+0.5	629.39	626.79	622.36	428.90	3.44	5.60	21.58	11.23	1263.72
8 Metals & Metal Forming(10)	470.11	+2.2	459.89	461.29	459.57	271.28	2.33	‡	‡	6.37	1484.64
9 Motors(30)	460.85	+0.8	456.87	452.90	448.12	303.75	4.74	4.11	33.84	9.93	1261.69
10 Other Industrials(19)	2254.28	+0.9	2234.14	2237.88	2229.49	1527.02	4.01	5.05	23.65	51.30	1162.55
21 CONSUMER GROUP(233)	1664.85	+0.9	1650.04	1658.43	1655.16	1471.25	3.48	6.73	18.05	29.55	986.70
22 Brewers and Distillers(29)	1958.76	+2.0	1919.47	1946.43	1914.57	1891.60	3.77	7.89	15.31	42.01	959.13
25 Food Manufacturing(22)	1314.68	+0.9	1302.59	1313.68	1307.31	1140.68	3.87	7.43	16.06	27.47	1013.89
26 Food Retailing(17)	2892.43	+0.7	2871.08	2881.42	2898.77	2603.77	3.23	8.94	13.88	48.09	905.38
27 Health & Household(30)	3248.77	-0.1	3251.63	3250.19	3309.28	3675.22	3.79	6.74	17.33	43.19	771.47
29 Hotels and Leisure(19)	1408.88	+1.9	1382.34	1384.63	1366.41	1005.03	4.19	5.95	21.04	45.01	1137.07
30 Media(33)	2071.14	+0.2	2067.24	2069.30	2057.21	1387.83	2.54	4.88	24.79	28.91	1161.73
31 Packaging and Paper(24)	883.37	+0.9	875.22	876.21	876.64	706.05	3.34	5.43	22.88	14.98	1150.97
34 Stores(39)	1257.06	+1.2	1241.56	1241.91	1236.97	917.39	2.86	5.58	22.84	18.39	1099.70
35 Textiles(20)	817.66	+0.4	814.12	813.88	817.27	582.95	3.74	5.89	21.27	14.90	1113.41
40 OTHER GROUPS(141)	1579.64	+1.0	1564.59	1569.36	1559.41	1160.77	4.09	7.05	17.15	31.36	1122.21
41 Business Services(27)	1677.58	+1.0	1661.04	1677.94	1679.60	1186.47	2.74	7.01	16.30	21.29	1116.86
42 Chemicals(23)	1563.22	+0.6	1554.42	1588.17	1575.03	1282.07	4.21	0.29	‡	35.56	1123.44
43 Conglomerates(11)	1541.68	+1.2	1523.45	1511.14	1504.26	1146.62	4.97	6.92	16.32	35.14	1141.06
44 Transport(15)	3204.73	+1.1	3169.96	3151.30	3154.30	2160.26	3.60	4.86	25.85	58.31	1183.18
45 Electricity(16)	1871.12	+0.9	1853.65	1858.93	1843.17	1272.06	4.21	11.98	10.39	54.18	1232.50
46 Telephone Networks(4)	1866.37	+1.1	1845.52	1857.19	1834.54	1350.02	3.83	5.61	21.97	8.22	1111.46
47 Water(13)	3380.92	+0.4	3366.97	3365.11	3381.32	2648.57	5.25	12.83	8.61	106.71	1075.87
48 Miscellaneous(32)	2414.04	+0.9	2392.53	2390.96	2370.89	1852.07	4.38	7.97	14.69	76.76	1009.27
49 INDUSTRIAL GROUP(588)	1505.61	+0.9	1492.31	1498.33	1490.72	1179.11	3.72	6.25	19.62	28.39	1071.26
51 Oil & Gas(18)	2592.67	+1.1	2564.19	2563.61	2546.30	1773.55	4.22	6.08	20.63	48.05	1180.07
59 "500" SHARE INDEX(606)	1601.85	+0.9	1587.32	1591.09	1584.61	1236.90	3.77	6.23	19.72	30.15	1082.27
61 FINANCIAL GROUP(90)	1144.63	+1.6	1127.09	1134.62	1125.52	653.32	3.68	3.24	46.03	22.73	1340.70
62 Banks(9)	1557.69	+1.8	1529.57	1544.90	1527.23	878.52	3.41	3.97	34.68	30.79	1338.01
65 Insurance (Life)(6)	2021.80	+0.4	2012.96	2029.77	2018.52	1339.82	4.42	4.75	26.48	47.49	1175.99
66 Insurance (Composite)(7)	745.82	+1.4	735.27	744.32	737.06	441.30	4.17	‡	‡	15.80	1217.74
67 Insurance Brokers(10)	954.88	-0.4	958.50	955.45	950.28	698.52	3.79	4.60	31.99	16.62	1258.95
68 Merchant Banks(6)	797.52	+0.7	792.21	788.48	781.87	404.81	2.84	5.72	21.72	12.33	1619.40
69 Property(29)	1003.71	+2.2	981.91	976.48	983.09	502.17	4.06	4.00	33.22	18.48	1606.54
70 Other Financial(23)	431.74	+1.6	424.91	423.39	420.48	223.10	3.51	5.04	26.52	7.19	1458.91
71 Investment Trusts(110)	1656.41	+1.2	1637.26	1629.98	1624.47	1045.70	2.48	1.97	50.76	22.36	1259.53
99 FT-A ALL-SHARE(806)	1491.80	+1.0	1476.65	1480.86	1473.92	1097.21	3.72	5.61	22.19	28.08	1121.89

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2969.9	2969.6	2985.1	2993.5	2991.4	3000.4	2999.1	3007.6	3010.1	3010.1	2964.5
FT-SE Mid 250	3404.9	3403.4	3410.1	3417.3	3419.3	3421.1	3422.7	3428.1	3430.5	3430.8	3402.7
FT-SE-A 350	1490.7	1490.5	1497.1	1501.1	1500.5	1504.1	1503.8	1507.4	1508.8	1508.8	1488.4

Time of FT-SE 100 high: 16:10 low: 08:50

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	1970.8	1970.8	1970.2	1972.6	1979.8	1979.8	1979.8	1983.6	1988.5	1987.3	1971.5	+15.8
Health & H	980.4	979.7	982.8	982.8	981.7	981.9	981.4	982.6	979.9	976.7	978.2	-1.5
Water	1385.7	1384.1	1389.0	1390.1	1391.0	1392.3	1393.0	1396.1	1395.8	1395.4	1389.5	+5.9
Banks	1863.4	1867.5	1881.2	1883.0	1889.5	1884.2	1890.1	1898.8	1893.6	1893.3	1859.2	+34.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡	100xd	—	100¼	99⅞	6.00	[illegible]
Treas 13¼pc 1993‡‡	102¼	—	106⅞	101½	13.46	[illegible]
8½pc 1994	101⅛	—	102⅞	101⅜	8.38	[illegible]
14½pc 1994‡‡	104⅞xd	—	109¼	104⅞	13.81	[illegible]
Exch 13½pc 1994	105½	—	109⅞	105½	12.80	[illegible]
Treas. 10pc Ln. 1994‡‡	103⅞	—	106⅞	103⅞	9.65	[illegible]
Exch 12½pc 1994	107⅛xd	—	110⅞	107⅛	11.68	[illegible]
Treas 9pc 1994‡‡	104⅛	—	106⅞	103⅞	8.63	[illegible]
12pc 1995	109	—	111⅞	108⅝	11.01	[illegible]
Exch 3pc Gas 90-95	96⅞	-⅛	97	94	3.09	[illegible]
10¼pc 1995	108⅞	+⅛	109⅞	107⅛	9.45	[illegible]
Treas 12¾pc 1995‡‡	114⅞	+⅛	116⅞	113⅞	11.11	[illegible]
14pc 1996	118⅞	+⅛	120⅞	117⅛	11.83	[illegible]
15¼pc 1996‡‡	122⅞	+⅛	125⅞	121⅞	12.40	[illegible]
Exch 13¼pc 1996‡‡	118⅞	+⅛	120⅞	116½	11.20	[illegible]
Conversion 10pc 1996	111⅞	+⅛	111½	108⅞	8.97	[illegible]
Treas 13¼pc 1997‡‡	121⅞	+⅛	122⅞	118⅞	10.91	[illegible]
Exch 10½pc 1997	113⅞xd	+⅛	113⅞	110⅞	9.25	[illegible]
Treas 8¾pc 1997‡‡	108⅞xd	+⅛	108⅞	105½	8.03	[illegible]
Exch 15pc 1997	130⅞	+⅛	132⅞	127⅞	11.46	[illegible]
9¾pc 1998	112⅞	+⅛	112⅞	109⅞	8.65	[illegible]
Treas 7¼pc 1998‡‡	103⅞	+⅛	103⅞	99⅞	6.98	[illegible]
7¼pc 1998 A‡‡	103⅞	+⅛	103⅞	99⅞	6.98	[illegible]
7¼pc 1998 B‡‡	21½	—	21½	19½	6.99	[illegible]
Treas 6¾pc 1995-98‡‡	101⅛	+⅛	101⅛	97⅞	6.67	[illegible]
14pc '98-1	129⅛	+½	129½	125⅛	10.85	[illegible]
Five to Fifteen Years						
Treas 15½pc '98‡‡	138⅛	+⅞	138⅞	133⅞	11.22	[illegible]
Exch 12pc 1998	123⅛	+⅞	123⅛	118⅝	9.75	6.70
Treas 9½pc 1999‡‡	113⅞	+⅞	113⅞	108⅞	8.38	6.53
Exch 12¼pc 1999	125⅛	+⅞	125⅛	120⅛	9.78	6.77
Treas 10½pc 1999	118⅞	+⅞	118⅞	112⅞	8.88	6.64
Conversion 10¼pc 1999	118	+⅛	118	112⅛	8.69	6.68
9pc 2000‡‡	112⅞xd	+⅞	112⅞	106	8.00	6.63
Treas 13pc 2000	132⅞	+⅞	132⅞	125½	9.80	6.97
10pc 2001	117⅞xd	+⅞	117⅞	109⅞	8.48	6.90
7pc '01(£17¼P/Pd)‡‡	21⅛	+⅞	21⅛	17⅞	6.92	6.80
9¾pc 2002	118xd	+⅞	118	108⅝	8.26	7.02

Undated	Price £	+ or -	1993 high
Consols 4pc	52⅝	+¼	53⅛
War Loan 3½pc‡‡	46⅞	+1⅛	46⅞
Conv 3½pc '61 Aft	66¼	+1¼	66⅞
Treas 3pc '66 Aft	39¼	+⅛	39¼
Consols 2½pc	34⅜	+⅛	34⅜
Treas 2½pc	33⅞	+⅞	33⅞

BRITISH FUNDS - Cont.

INDEX-LINKED

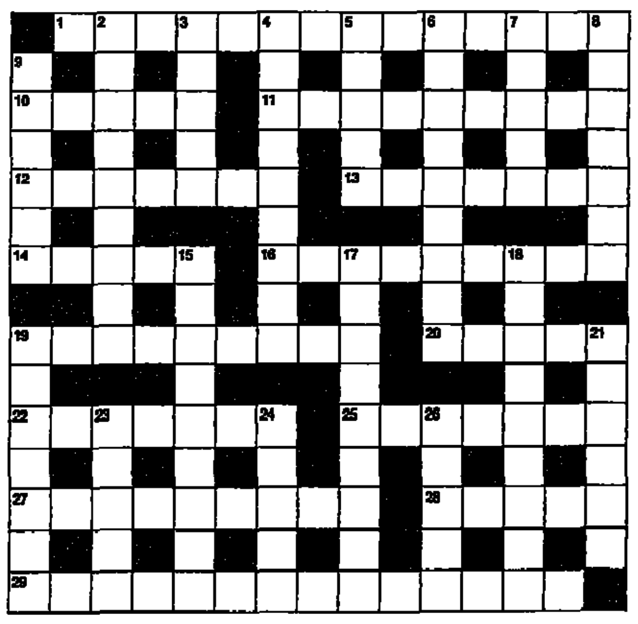
Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1992: 139.7 and for June 1993: 141.0.

OTHER FIXED INTEREST

Continued on next page

CROSSWORD

No.8,226 Set by ADAMANT



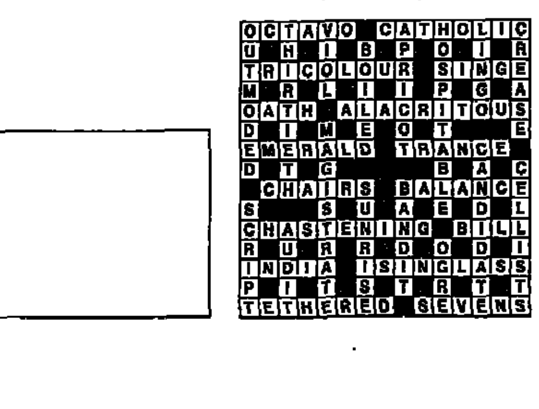
ACROSS

1 Trendy group not wanting drink around (2,3,9)
10 Have a flutter .... (5)
11 .... sowing wild oats on the racecourse, while this holds your dough (9)
12 Mother can see non-Sabbath performance (7)
13 Barred the departments from taking one right over (7)
14 Barrier harnessing river before a momentous event (5)
16 Detailed plan of TV components making way round the lines (9)
19 Money paid back – pies no good from supplying channels (9)
20 An article on a middle eastern topic (5)
22 Teasing the jumper on the edge? (7)
25 Addresses judge back, the fat oaf! (7)
27 Having views on the evolution of an Australian town (9)
28 Flight from leaderless hunger town (5)
29 Wide distribution might let Custer, say, get a fresh hold (7,7)

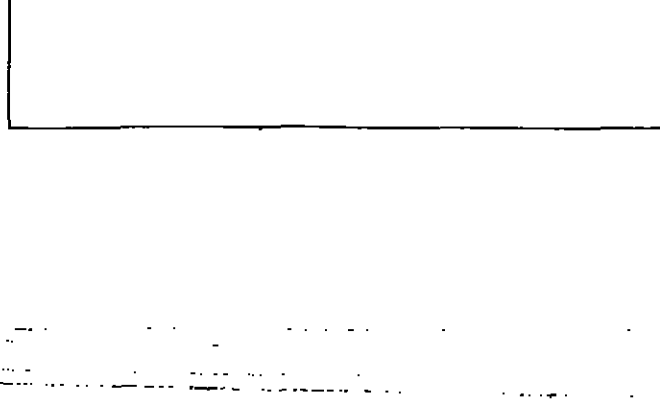
DOWN

2 A small number spoil sister's early years (9)
3 Leading character bearing a flier (5)
4 However I left the picture around – what a bloomer! (9)
5 Managed to raise the English content before the second approaches (5)
6 But wet tar is fluid in a barrel (9)
7 Understanding those who can draw the doctor round (5)
8 In New York Dr Who's enemy rushes around out of costume (7)
9 Showed up in the early hours in the cabin (6)
15 Microphone for a politician, one serving out his time round Ireland (9)
17 Scene 1 – Red Cross House (9)
18 Ruth uses a new edition of the dictionary (9)
19 Go up to the German if you want an iron bar (7)
21 "The European", down and out, finally seeks funds (6)
23 Noble lawyers working (5)
24 Ask questions about barbecue (5)
26 Left the previous night holding a permit (5)

Solution 8,225



JOTTER PAD



LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅞xd	-3/16	20⅞	15½	13,485	2.8
Allegheny & W.	♥	722p	+21	722p	399p	375.2	2.8
Amdahl		359p	—	691p	302½p	390.8	0.9
Amer Cyanamid		32½	-2	38⅝	31¼	2,930	3.6
Amer Express		22⅞xd	-⅛	22⅞	14⅞	10,978	3.0
Amer T & T		43¼xd	+1/16	43¾	33⅛	67,351	2.0
Ameritech		56⅛	+5/16	56⅛	46	24,573	4.4
BankAmerica		31⅞xd	+⅛	36⅛	27⅛	11,309	2.9
Bankers NY		53⅝xd	+1	53⅝	42⅝	4,304	3.8
Bell Atlantic		40	+⅛	40⅝	32¼	17,377	4.5
BellSouth		38	—	39⅞	32⅞	16,772	4.9
Bethlehem Steel	♥	9⅝xd	+½	13¾	9	871.1	-
Bowater		1351pxd	-17	1682p	1207p	489.5	3.0
CPC		27⅞xd	+⅛	34⅞	25	4,231	3.1
California Engy		1232p	—	1476p	1085p	224.3	-
Chase Manhattan		23⅛xd	+½	24½	17⅞	3,648	3.5
Chrysler		29½xd	+7/16	32⅛	21¼	8,838	1.4
Citicorp		22¼xd	+⅛	22⅜	13⅞	6,133	-
Colgate-Palm		33⅞xd	—	45⅝	32⅞	5,290	2.9
Cont'l Bank		1665p	+35	1677p	1278p	1,892	2.4
Dana		38¼xd	-⅛	37⅛	29⅞	1,687	2.9
Data General		541p	—	651p	527p	149.3	-
Decora Inds	♥	112½p	-2½	148p	108p	-	-
Dun & Brad		40	+¼	42⅛	37⅛	7,129	4.1
Eaton		30¼	-⅛	31⅞	25⅞	2,104	2.7
Echlin		19½xd	+⅛	20½	15⅞	1,138	2.4
FPL		26½xd	+⅛	27⅜	23¼	4,871	6.2
Ford Motor		35⅝xd	+½	38½	28⅞	17,389	1.9
Gen Elect		67⅞xd	-⅜	67⅞	53⅞	57,380	2.5
General Host	♥	578p	+18	723p	513p	-	4.1
Gillette		35⅞xd	+1/16	42⅝	31⅞	7,814	1.6
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.8
Honeywell		24½xd	+⅛	28½	20⅞	3,349	2.4
Houston Inds		30⅛	-⅛	33¼	28⅛	3,986	6.6
Ingersoll-Rand		24xd	+⅛	25	19⅛	2,507	2.0
Lockheed		42⅞	+⅛	45⅛	35⅛	2,616	3.3
Lowe's		2487p	+20	2581p	1573p	1,821	0.9
Maxy Technology		221p	+1	221p	127p	-	-
Merrill Lynch		60xd	-⅛	60⅛	37	6,105	1.6

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

	Notes	Price	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cu 2nd Pf		111½	+½	111½	93	13.9	9.0	–
9¾pc Non-Cum Pf		132½	+1½	132½	113	83.0	9.2	–
Close Bros	‡†	411	+5	416	290	181.3	2.9	18.3
Hambros	♣□	388	+4	388	249	677.9	4.5	17.9
7½pc Cv Pf		163	+4	163	111½	244.6	5.8	–
Joseph (L)	♣	383xd	+3	383	313	18.8	5.8	–
Kleinwort Benson	†□	502	+4	502	312	657.6	4.0	17.2
Rea Bros	♣□	44	+2	47	39	17.3	1.4	46.8
Schroders	♣	1195	-8	1199	467½	1,199	1.2	23.6
N/V		1088	-7	1100	387½	394.8	1.3	21.7
Singer & Fried	♣□	71	+1	72	48	138.6	4.6	–
Warburg (SG)	♣N□	809	+12	809	539	1,739	2.9	20.4
8pc Cv Pf		278	+3	278	185	118.3	2.7	–
Wintrust	♣	245	—	253	188	29.9	4.9	φ

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or –	1993 high	low	Mkt Cap£m	Yld Gr's
Europa Mnls	N□	39	—	42	15	18.8	–
Glencar Expl IE	‡‡	11	—	12	6	2.03	–
Greenwich Res	♣□	14½	—	22¼	5	11.3	–
Hemlo Gold C$		59⅞	—	28⅛	C3½	685.3	1.3
Ivernia West IE	‡‡□	42	—	57	31	21.1	–
Kells Mnls IE	‡‡	12	—	13	6	0.29	–
Kenmare	♣□	8¾	—	13½	6	6.78	–
Melinga Res		9½	-½	25½	9½	1.05	–
Navan Res IE	♣	84⅞	-7	100	25	14.4	–
5pc Ln Notes		89½	—	94¾	25	15.6	–
Oryx Gold		76⅞	—	76⅞	47	–	–
‡‡Ovoca Res IE		8	—	8	3½	0.56	–
RTZ	♣N□	685	+7	709	607	7,076	3.8

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- φ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8846. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Marks & Spencer Unit Trust Ltd (1200)F

PO Box 410, Chester X, CH99 9DS 0244 680068

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	143.2	143.4xd	152.1	+0.88	1.91
Do Accum	5½	160.5	160.7xd	171.0	+0.88	1.91
UK Sel P'folio	5½	118.9	119.5	127.8	+0.38	2.46
Do Accum	5½	134.4	135.1	144.5	+0.39	2.46

Marlborough Fund Managers Ltd (1630)F

57 Victoria Square, Bolton, BL1 1LA 0204 364042

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	67.11	67.74	72.07	—	3.82

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. *This charge is included in the price of units.*

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's *valuation point unless another time is indicated* by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The *prices shown are the latest available before* publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

State Street Unit Trust Mngmt Ltd (1400)F
78 King Street, London SW1 6CW 071-344 7000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global A.						
US Equities (u)	5¼	[illegible]	3.718	3.9[illegible]	[illegible]	1.21
Far East Equities (u)	5¼	82.17[illegible]	2.178	2.3[illegible]	[illegible]	1.15
Japan Equities (u)	5¼	[illegible]	[illegible]	282.2	[illegible]	
FT Europe (u)	5¼	[illegible]	251.5	2[illegible]	+7.8	-
FT North America (u)	5¼	117.2	117.4	124.6	+1.7	-
FT Japan (u)	5¼	87.77[illegible]	1.71[illegible]	1.82[illegible]	+2.2	2.0[illegible]
FT Asia Ex Japan (u)	5¼	[illegible]	250.2	2[illegible]	[illegible]	1.31
[illegible]		[illegible]	1.985	2.10[illegible]	+0.8	1.45

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

American	5	352.7	352.7	376.0	+4.3	0.32
(Accum Units)	5	415.8	415.8	443.3	+5.1	0.32
British	5	976.0	976.0	1032.6	+1.7	3.93
(Accum Units)	5	1710.9	1710.9	1810.1	+2.9	3.93
Emerging Markets	5	112.5	113.2	120.6	+1.2	0.20
(Accum Units)	5	112.7	113.4	120.8	+1.2	0.20
European	5	404.3	404.3	430.5	+1.2	1.34
(Accum Units)	5	443.9	443.9	472.8	+1.3	1.34
Japan	5	160.9	160.9	170.9	+2.6	-
(Accum Units)	5	162.2	162.2	172.3	+3.7	-
New Pacific	5	318.7	320.2	341.0	+2.8	0.95
(Accum Units)	5	384.0	335.8	357.4	+3.0	0.95
Smaller Cos	5	207.5	203.8	216.1	+1.5	1.85
(Accum Units)	5	224.9	227.8	241.2	+1.7	1.85
Mngd Equity	5	159.4	160.6	169.3	+0.8	1.48
Mngd Equity Acc	5	173.8	175.4	185.6	+0.9	1.48
Mngd Cash	0	95.75	95.75	95.75	-	5.17
(Accum Units)	0	128.8	128.8	128.8	-	5.17
Majority Stg	1	99.95	99.95	100.95	+0.01	4.84
Majority Stg Acc	1	118.94	118.64	119.83	+0.01	4.84

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin: 5 Hayemgh Rd, Hutton, Brentwood, Essex
Enquiries 0277 727300 Dealing 0277 690300

Equity	6	755.1	755.1	807.8	+2.1	2.85
North America	6	121.2	121.2	129.8	+1.2	0.20
Far East	6	135.0	135.0	144.4	+2.5	0.37
W'wide Bond	6	63.33	63.33	67.22	+0.05	5.12
European	6	88.39	88.39	94.53	+0.60	0.52
Equity Income	6	88.42	87.16	93.20	+0.24	3.80
Portfolio	6	78.05	78.05	83.45	+0.09	0.50
UK Leading Cos	6	53.80	54.33	57.80	+0.18	2.05
Broker Trusts						
Intnl Equity	6	60.54	61.02	65.26	+0.36	-

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingstoke, [illegible]

[illegible]

Lazard Investors Ltd ‡
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Cos Aug 11	[illegible]	545.2	+44.19	2.49
European Aug 11	1749.9	759.2	+18.10	1.45
American Aug 11	[illegible]	440.6	+10.80	1.44
Japan Aug 11	[illegible]	649.6	+98.18	0.47
Pacific Aug 11	[illegible]	209.0	+0.80	0.83
Midland Gilt Jul 30	[illegible]	140.70	-	3.7

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Jul 31	178.59	192.15	-	8.74
Equity Jul 31	1042.10	1058.79	-	2.94

* Available only to Local Authorities

M & G Securities Ltd

Charibond (z)		118.63	+0.4	9.33
(Accum Units)		31.54	+2.9	0.33
NAACP (2)		47.82	+0.3	7.22

Merlin Jupiter Unit Trust Managers Ltd
Merlin Jupiter Exempt Trust

UK Equity	£12.61	12.73	-	-

Morgan Grenfell Investment Funds Ltd
Exempt Funds

UK Equity † Aug 10	174.5	178.3	-	2.45
UK Small Co † Aug 10	611.2	637.0	-	2.97
Fixed Interest † Aug 10	128.8	129.2	-	6.81
Intl Bond Aug 10	148.6	150.1	-	7.53

Morgan Stanley International

UK Exempt NAV		£1409.40	-	-
Overseas Exempt NAV		£1380.75	-	-

Murray Johnstone UT Mngmt
Murray Exempt Funds

American Exempt	88.02	88.80	+1.14	1.55
European Exempt	87.75	89.55	+0.31	2.09
Fixed Int Ex Aug 5	52.24	52.75	-	8.38
Japan Exempt	65.05	67.07	+2.56	0.07
Managed Ex Aug 5	55.45	56.97	-	3.05
SE Asia Exempt	118.40	124.70	+1.70	1.35
Sm Cos Expt Aug 5	43.50	45.76	-	2.91
UK Eqty Ex Aug 5	46.47	48.46	-	3.88

PDFM Unit Managers Ltd

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Scottish Amicable - Contd.

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias Int US$ Acc	$1.2163		—	-
Xiphias Int ECU Acc	Ecu1.3868		—	-
Xiphias Int ECU Dis	Ecu1.2381		—	-

Yamaichi Capital Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Thai Inv Fund	$13.73		—	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. ● Distribution free of UK taxes. ● Periodic premium insurance plans. ● Single premium insurance. ● Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). ● Offered price includes all expenses except agent's commission. ● Previous day's price. ‡‡ Guernsey gross. ‖ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monetaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen at new post-war highs

THE attention of foreign exchange dealers moved away from Europe to Asia yesterday, as the Japanese yen enjoyed a remarkable rally against the dollar in Wednesday's Asian trading, *writes James Blitz.*

The main trigger for this surge was the news that Japan's trade surplus in July had widened from $9.23bn a year ago to $11.82bn. Trade with the US swelled to an unadjusted $4.68bn surplus from $3.81bn in the previous month.

The news pushed the yen from Y104.50 late on Tuesday to a post-war low of Y103.50 on Wednesday afternoon in Europe. The currency later closed in London at Y103.70. Repeated rounds of intervention from the Bank of Japan and other central banks failed to stem the tide.

Dealers said that the main impetus behind yesterday's move was from US investment funds and Japanese exporters. But Mr Marc Hendricks, an economist at Swiss Banking Corporation in London, said that the trade surplus figures were not just a news item, but an underlying cause of the yen's strength. "Japanese companies are repatriating their profits and refusing to re-invest in Europe because of their long-term balance sheet problems," he said. "That is the source of the yen's strength."

Inside the European exchange rate mechanism, the main focus was on France's decision to cut its overnight rate of lending for the second time this week, this time by ½ a percentage point to 9.25 per cent.

The move at first led to a slight depreciation of the franc, but later the currency recovered strongly against the D-Mark to close at FFr3.511 from a previous FFr3.521. That appreciation was partly due to the Bundesbank's decision to add liquidity to its domestic money markets, keeping the cost of overnight funds low.

However, the German move was insufficient to stop heavy selling of the Austrian schilling especially in options and forward markets.

The Austrian authorities have kept their currency in a very tight range against the D-Mark of about Sch7.01-Sch7.05. But yesterday, the currency traded as low as Sch7.0473.

Mr Jeremy Hawkins, economics adviser at Bank of America in London, said that problems in the ERM were encouraging dealers to test the parities between Europe's traditionally close currencies.

The Bundesbank's money market operations helped the dollar to gain a full pfennig against the D-Mark, to close at DM1.7180.

Throughout most of yesterday's trading, sterling weakened as dealers suspected that European central banks were selling the currency to help boost reserves. However, the pound recovered at the end of European trading, supported by continuing strength of the UK's equity and gilt markets. The pound closed at DM2.5300, up ¼ pfennig on the day.

£ IN NEW YORK

Aug 11	Latest	Previous Close
£ Spot	1.4700-1.4710	1.4665-1.4675
1 month	0.36-0.35pm	0.38-0.37pm
3 months	1.00-0.98pm	1.00-0.98pm
12 months	2.65-2.58pm	2.77-2.67pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 11	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.19927	-1.70	6.72	-
D-Mark	1.94964	1.91781	-1.63	6.65	-
Belgian Franc	40.2123	40.8122	1.49	3.36	-11
Irish Punt	0.808628	0.821338	1.57	3.28	-11
Portuguese Escudo	192.854	196.934	2.14	2.71	-14
French Franc	6.53883	6.74087	3.09	1.78	-20
Spanish Peseta	154.250	159.030	3.10	1.75	-22
Danish Krone	7.43679	7.80159	4.91	0.00	-34

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4675 - 1.4740	1.4725 - 1.4735	0.37-0.35cpm	2.93	1.00-0.97pm	2.67
Canada	1.8985 - 1.9210	1.9140 - 1.9150	0.38-0.30cpm	2.13	0.94-0.83pm	1.85
Netherlands	2.8365 - 2.8575	2.8475 - 2.8575	par-⅛cdis	-0.53	⅛-⅜dis	-0.35
Belgium	53.55 - 53.90	53.55 - 53.65	12-32cdis	-4.93	26-64dis	-3.36
[illegible]						

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

Aug 11	£	$
[illegible]		
Korea(Sth)	1176.90 - 1195.90	804.70 - 811.10
Kuwait	0.44400 - 0.44500	0.30130 - 0.30180
Luxembourg	53.55 - 53.65	36.40 - 36.50
Malaysia	3.7575 - 3.7645	2.5510 - 2.5520
Mexico	4.5765 - 4.5795	3.1080 - 3.1100
N.Zealand	2.6770 - 2.6810	1.8180 - 1.8205
Saudi Ar	5.5255 - 5.5370	3.7485 - 3.7505
Singapore	2.3670 - 2.3735	1.6070 - 1.6080
S.Af (Cm)	4.9671 - 4.9780	3.3770 - 3.3785
S.Af (Fn)	6.9356 - 6.9605	4.7100 - 4.7200
Taiwan	39.60 - 39.75	26.90 - 27.00
U.A.E.	5.4035 - 5.4160	3.6715 - 3.6735

EXCHANGE CROSS RATES

Aug 11	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.473	2.530	152.8	8.883	2.250	2.853	2381	1.915	53.60	209.4	1.325
$	0.679	1	1.718	103.7	6.037	1.527	1.937	1616	1.300	36.39	142.2	0.900
DM	0.395	0.582	1	60.40	3.511	0.889	1.128	941.1	0.757	21.19	82.77	0.524
YEN	6.545	9.640	16.56	1000.	58.13	14.73	18.67	15582	12.53	350.8	1370	8.671
F Fr.	1.126	1.658	2.848	172.0	10.	2.533	3.212	2680	2.156	60.34	235.7	1.492
S Fr.	0.444	0.655	1.124	67.91	3.948	1	1.268	1058	0.851	23.82	93.07	0.589
N Fl.	0.351	0.516	0.887	53.56	3.114	0.789	1	834.6	0.671	18.79	73.40	0.464
Lira	0.420	0.619	1.063	64.17	3.731	0.945	1.198	1000.	0.804	22.51	87.95	0.556
C $	0.522	0.769	1.321	79.79	4.639	1.175	1.490	1243	1	27.99	109.3	0.692
B Fr.	1.866	2.748	4.720	285.1	16.57	4.198	5.323	4442	3.573	100.	390.7	2.472
Pta	0.478	0.703	1.208	72.97	4.242	1.074	1.362	1137	0.915	25.60	100.	0.633
Ecu	0.755	1.112	1.909	115.3	6.704	1.698	2.153	1797	1.445	40.45	158.0	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

Option on long-term French bond (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
117	5.62	5.24	-	-	0.07	-
118	4.62	4.24	-	-	0.12	0.14
119	3.62	3.40	-	0.01	0.22	0.23
120	2.63	2.57	-	0.01	0.40	-
121	1.66	1.85	-	0.03	0.68	-
Open Int	137,500	86,391	21,685	223,494	93,386	16,033

Estimated volume 91,715 † Total Open Interest 578,469

† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4730	1.4694	1.4632	1.4569	1.4465

MONEY MARKETS

Sterling futures rise

STERLING interest rate futures enjoyed a modest rise yesterday as dealers took the view that the low inflation outlook in the UK made a cut in base rates more likely, *writes James Blitz.*

In its quarterly inflation report published on Tuesday, the Bank of England said that the prospect of underlying inflation dropping to the lower part of the government's 1-4 per cent target range over the next 4 years was "within reach." The Bank was also relatively upbeat about the chances of a strong UK recovery in the first half of this year.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

Yesterday was the first opportunity that interest rate dealers had to digest the contents of the report. They pushed the September short sterling contract up 5 basis points to a close of 94.26.

But traders continued to think there was more likelihood of a base rate cut at the turn of the year, with the December contract closing at 94.76. Nevertheless, one London money market dealer said that, at current levels, the September contract was fairly priced and might be worth buying.

Sterling cash markets were quiet. A £900m shortage was removed with no need for late assistance. Three month money closed more or less unchanged at 5.78 per cent.

European markets were dominated by the second cut this week in the Bank of France's overnight rate of lending, this time from 9.75 per cent to 9.25 per cent.

The ½ percentage point cut confirmed the French central bank's policy of slowly easing monetary policy in the wake of the widening of the exchange rate mechanism's bands. But it led to a very strong rise in the September French franc interest rate contract, up 27 basis points to close at 93.38. Three month money fell by 0.40 percentage points from 8 per cent to 7.60 per cent.

The Bundesbank yesterday surprised some market participants by adding a net DM10.3bn of liquidity in its weekly money market operation, instead of draining funds in the wake of the recent intervention in support of the French franc.

With a fixed rate repo set at 6.80 per cent this week, that should ensure that call money fluctuates between 6.80 per cent and 7 per cent over the next week. Call money was yesterday hovering at around 6.81 per cent for most of the day.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 11)	3 months US dollars		6 months US Dollars	
	bid 3⅛	offer 3¼	bid 3⅛	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.03	Three year	4.50
Broker loan rate	5	Two month	3.12	Five year	5.14
Fed.funds	2 15/16	Three month	3.15	Seven year	5.43
Fed.funds at intervention	-	Six month	3.26	10-year	5.81
		One year	3.49	30-year	6.46
		Two year	4.10		

Aug 11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.75-6.90	6.70-6.80	6.65-6.75	6.45-6.55	6.35-6.45	7.75
Paris	9¼-9½	9¼-9¾	-	7¾-8¼	-	6.75
Zurich	4¾-5	4⅝-4¾	-	4 9/16-4 11/16	-	-
Amsterdam	6.60-6.75	6.43-6.56	-	6.12-6.25	-	-
Tokyo	3 7/32-3 7/32	-	-	-	-	-
Milan	9 11/16	9 5/16	-	9 3/16-9 7/16	-	-
Brussels	-	10½	-	9-10	-	-
Dublin	5⅞-6⅛	6¾-7¼	6¾-7¼	6¼-7	6½-6¾	-

LONDON MONEY RATES

Aug 11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6½	6	6	5 13/16	5¾	5 11/16
Interbank Bid	3	5½	5⅞	5 11/16	5⅝	5 9/16
Sterling CDs	-	-	5 29/32	5¾	5 9/16	5½
Local Authority Deps.	6⅛	6	6	5⅞	5¾	5 11/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6¼	5⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5 13/16	5⅞	5 11/16	5 11/16
Treasury Bills (Buy)	-	-	5 11/16	5⅝	5⅝	-
Bank Bills (Buy)	-	-	5 23/32	5 21/32	5 19/32	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.02	3.07	3.22	3.43
SDR Linked Dep. Offer	-	-	4 3/16	4¼	4⅜	4⅜
SDR Linked Dep. Bid	-	-	4 1/16	4 3/16	4¼	4¼
ECU Linked Dep. Offer	-	-	8¼	7¾	7⅛	6 13/16
ECU Linked Dep. Bid	-	-	8¼	7¼	6⅝	6 11/16

Treasury Bills (sell): one-month 5⅝ per cent; three months 5 9/16 per cent; six months 5 9/16 per cent. Bank Bills (sell): one-month 5 11/16 per cent; three months 5⅝ per cent; Treasury Bills; Average tender rate of discount 5.0739 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 30, 1993. Agreed rates for period Aug 25, 1993 to Sep 25, 1993 Schemes II & III: 7.26 p.c. Reference rate for period July 1, 1993 to July 30, 1993, Scheme IV&V: 0.009 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from August 1, 1993: Bank Deposit Rate for sums at 7 days notice 5⅛ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan 27, 1993. Deposits withdrawn for cash 1½ p.c.

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	8
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

AUSTRIA [illegible]

FRANCE [illegible]

GERMANY (continued) [illegible]

NETHERLANDS (continued) [illegible]

SWEDEN (continued) [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

ITALY [illegible]

GERMANY [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

NETHERLANDS [illegible]

JAPAN [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

AUSTRALIA [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

4 pm close August 11

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close August 11

[illegible]

Total Sales 38,043,745 shares

INDICES

NEW YORK

DOW JONES	Aug 10	Aug 9	Aug 6	Aug 5	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3572.73	3576.08	3560.43	3548.97	3576.08 (9/8)	3241.95 (20/1)	3576.08 (9/8/93)	41.22 (2/7/32)
Home Bonds	108.88	108.78	108.72	108.67	108.88 (10/8)	103.48 (11/1)	108.88 (10/8/93)	54.99 (1/10/81)
Transport	1630.27	1617.66	1603.34	1582.87	1683.09 (16/4)	1453.84 (4/1)	1683.09 (16/4/93)	12.32 (8/7/32)
Utilities	250.00	251.12	250.66	252.04	252.04 (5/8)	217.14 (8/1)	252.04 (5/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3599.83 (3599.83) Low 3547.02 (3541.15) (Theoretical♦)
Day's High 3579.43 (3585.02) Low 3564.62 (3554.84) (Actual♦)

STANDARD AND POOR'S

	Aug 10	Aug 9	Aug 6	Aug 5	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	449.62	450.72	448.68	448.13	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials¥	507.22	509.35	507.59	506.57	524.99 (10/3)	496.48 (26/4)	524.39 (10/3/93)	3.62 (21/6/32)
Financial	46.88	46.87	46.59	46.43	46.88 (10/8)	39.89 (8/1)	46.88 (10/8/93)	8.64 (1/10/74)
NYSE Composite	249.63	250.08	248.81	248.54	251.38 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	433.19	438.80	436.34	435.53	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	717.08	718.49	718.08	715.50	718.49 (9/8)	645.87 (26/4)	718.49 (9/8/93)	54.87 (31/10/72)

	Aug 6	Jul 30	Jul 23	year ago (approx.)
Dow Industrial Div. Yield	2.87	2.88	2.93	3.82
	Aug 4	Jul 28	Jul 21	year ago (approx.)
S & P Industrial div. yield	2.53	2.59	2.55	2.68
S & P Indl. P/E ratio	25.09	25.06	25.09	28.50

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
South Pac	8,570,000	15⅛	---
Maxus Energy	7,346,800	9½	+ 1⅞
East Kodak	4,325,100	60⅝	+ ⅜
Wal-Mart	3,602,100	25	- ½
Crown Amer	3,527,800	17¼	---
Merck	3,480,700	30	- ⅝
RJR Nabisco	3,401,300	4¼	---
Philip Morris	2,302,700	45⅞	- 1
YPF Sociedad	2,129,700	20⅜	+ ⅛
Procter & Gam	2,110,100	46¼	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	Aug 10	Aug 9	Aug 6
New York SE	255.494	228.066	215.496
Amex	17.178	16.335	18.727
NASDAQ	(u)	236.180	251.106
NYSE			
Issues Traded	2,585	2,612	2,580
Rises	980	1,206	975
Falls	957	797	873
Unchanged	648	609	732
New Highs	133	151	99
New Lows	46	32	28

CANADA

TORONTO	Aug 10	Aug 9	Aug 6	Aug 5	1993 HIGH	1993 LOW
Metals & Minerals	3118.83	3035.02	3014.85	3025.10	3118.83 (10/8)	2743.31 (21/1)
Composite	4028.44	4002.20	3960.00	3947.60	4028.44 (10/8)	3275.80 (21/1)
MONTREAL Portfolio	1921.50	1909.21	1888.98	1886.80	1939.10 (25/6)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

	Aug 11	Aug 10	Aug 9	Aug 6	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1861.0	1860.4	1844.3	1842.2	1865.30 (5/8)	1495.00 (13/1)
All Mining (1/1/80)	881.2	884.5	864.7	863.7	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	399.40	399.20	397.10	391.87	399.40 (11/8)	300.26 (14/1)
Traded Index (2/1/91)	1005.88	1009.70	1005.03	989.20	1009.70 (10/8)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1349.87	1336.86	1343.14	1342.69	1349.87 (11/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	324.86	324.01	324.41	323.81	328.96 (3/8)	281.30 (4/1)
FINLAND						
HEX General (28/12/90)	1385.8	1380.8	1389.7	1352.3	1390.80 (10/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	584.46	582.02	583.42	577.48	584.46 (11/8)	471.24 (13/1)
CAC 40 (31/12/87)	2167.39	2139.78	2138.52	2149.83	2167.39 (11/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	726.35	725.08	724.33	726.08	726.35 (11/8)	598.82 (14/1)
Commerzbank (1/12/53)	2065.30	2062.00	2060.5	2066.4	2066.40 (6/8)	1684.30 (14/1)
DAX (30/12/87)	1865.80	1865.18	1872.3	1869.38	1872.30 (9/8)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7357.63	7329.81	7382.22	7398.77	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1730.56	1745.39	1719.04	1691.94	1745.39 (10/8)	1191.18 (11/1)
ITALY						
Banca Com. Ital. (1972)	589.78	588.77	590.31	581.48	590.31 (9/8)	446.33 (6/1)
MIB General (4/1/93)	1296.0	1295.0	1300.0	1281.0	1300.00 (9/8)	982.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20732.57	20493.75	20493.06	20357.94	21076.00 (3/8)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1680.23	1661.22	1659.01	1654.59	1680.23 (11/8)	1250.06 (25/1)
2nd Section (4/1/68)	2252.53	2239.38	2225.70	2219.63	2354.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	780.42	780.60	779.87	778.66	785.49 (5/5)	614.29 (13/1)
NETHERLANDS						
CBS Tot.Rtn Gen.(End 1983)	367.6	365.7	364.0	362.7	367.60 (11/8)	295.70 (4/1)
CBS All Shr (End 1983)	241.2	240.0	238.9	238.0	241.20 (11/8)	199.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	905.23	900.90	899.56	895.76	925.23 (11/8)	669.95 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1747.67	1734.79	1715.79	1743.97	1783.30 (3/3)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	482.83	482.30	(c)	471.94	482.89 (11/8)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1810.0¥	1875.0	1866.0	1814.0	2098.00 (3/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4568.0¥	4571.0	4560.0	4560.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	723.65	719.44	709.59	721.49	777.25 (9/8)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	274.18	271.63	270.92	271.37	274.18 (11/8)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1260.30	1247.10	1258.0	1250.1	1260.30 (11/8)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1045.00	1038.50	1045.8	1044.1	1046.80 (9/8)	904.80 (11/1)
SBC General (1/4/87)	832.20	826.70	834.5	835.9	838.20 (5/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4115.04	4080.31	4092.73	4025.93	5013.28 (7/4)	3098.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	963.17	955.09	952.77	958.84	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	587.7*	583.7	585.4	583.5	587.70 (11/8)	498.60 (13/1)
Euro Top-100 (26/6/90)	1099.46	1091.35	1098.17	1092.58	1099.46 (11/8)	862.75 (13/1)

**Saturday August 7: Taiwan Weighted Price, 4026.64, Korea Comp Ex. 716.58.
¥ Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, August 11, 1993

	Stocks Traded	Closing Prices	Change on day
Matsushita Cable	7.3m	895	+40
Nippon Express	6.1m	1,120	+20
Cosmo Oil	6.1m	900	+21
Nippon Steel	5.8m	370	+2
NEC Corp	5.6m	1,030	+20
Nikko Sec	5.5m	1,300	+80
Sumitomo Elec	5.3m	1,260	+40
Itochu Corp	5.9m	591	+11
Furukawa Elec	4.8m	700	+28
General Sekiyu	4.6m	1,270	+20

4 pm close August 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.5	676	84	13¾	13½	13½	
29⅝	13¾	A L Labs A	0.16	1.0	35	389	17½	17¼	17½	
65⅞	54⅝	AMP Inc	1.60	2.4	23	844	85⅝	85⅜	85½	-⅛
72¾	55½	AMR			16	4116	66¼	64¾	65	-1¼
2⅞	1⅜	ARX			15	2	2½	2½	2½	
51½	29⅞	ASA	2.00	4.4	30	378	45¾	45⅜	45½	-⅝
30¾	22⅝	Abbott Lab	0.68	3.0	14	18091	24⅛	23	23	-¾
12⅝	9⅞	Abitibi Pr	0.50	4.8	4	3	10⅜	10⅜	10⅜	
14¼	8¼	Acpenosin			233	112	14	14	14	
33	25½	ACE Ltd	0.40	1.2		712	32⅛	32⅛	32⅛	+⅛
12	10¾	ACM Gvt In x	0.96	8.7		1070	11⅛	11	11	-⅛
10	9⅛	ACM GrOpp x	0.80	8.1		106	u10	9⅞	9⅞	-⅛
9⅞	8¾	ACM Gvt Sp x	0.80	8.7		383	9¼	9⅛	9⅛	
11⅝	10½	ACM Gvt Se	0.96	8.8		1038	11	10⅞	10⅞	
11⅝	9⅝	ACM Man x	1.08	9.5		405	11½	11¼	11⅜	
9⅜	6⅝	ACM Managd x	0.72	7.8		77	9¼	9⅛	9¼	+⅛
12⅜	7¾	Acme Cleve	0.44	4.0	14	409	11⅜	11	11⅛	+¼
9¾	6½	Acme Elect			250	26	7½	7½	7½	-⅛
24⅞	18⅛	Acordia	0.44	1.8	14	135	24⅝	24⅛	24⅝	-⅛
16	10⅜	Acuson			32	455	11⅞	11⅝	11⅞	+⅛
22¼	19⅝	Adams Expr	0.48	2.4	1	81	20¼	20⅛	20⅛	-⅛
66	45½	Ad Micro	3.00	4.8		533	62	60½	61⅞	+2
32¾	17⅝	Ad Micro P	3.00	10.1	11	15219	30¼	0⅝	29⅝	+1¼
7⅜	5½	Advest Grp	0.16	2.5	11	284	6½	6¼	6⅜	+⅛
24¾	16¼	Advo Inc	0.08	0.5	17	79	16⅝	d16¼	16¼	-¼
49⅞	41⅛	Aegon ADR	2.95	6.3	9	19	46⅞	46⅞	46⅞	+⅛
60	43⅜	Aetna Lf	2.76	4.7	40	3430	59⅛	58⅛	58⅝	-⅝
14½	11½	AMB A	0.28	1.8	30	338	14⅞	14¼	14⅞	
32¼	26½	Aflac	0.40	1.3	15	787	31⅜	30⅞	31⅛	
22⅛	16¾	Ahmanson	0.88	4.6	22	976	19⅜	19⅛	19¼	

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Continued on next page

NYSE COMPOSITE PRICES

4 pm close August 11

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close August 11

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
A&WBrands	0.32	16	1016	18½	17¾	18½	+½
ABS Inds	0.10	14	22	12¼	11½	12	
AGC Corp	0.12	37	281	15¾	14¾	15½	-½
Acclaim E		46	7304	u35¾	34⅝	35⅝	-⅞
Acme Mtls		136	728	18	17½	17¾	
Acxiom Cp		30	185	18¼	17½	18	
Adaptech		15	11304	30⅝	28⅞	30⅜	+1½
ADC Tele		30	406	33	31½	32¼	-⅛
Addington		45	492	17	16½	17	+¼
Adia Serv	0.16	18	13	u26½	24½	24½	
Adobe Sys	0.20	29	19214	29	26½	28¾	+1⅞
Advance C		8	275	10	9⅝	9⅞	+⅛
Adv Logic		4	121	3¼	3	3	-⅛
Adv Polym		15	884	6½	6¼	6½	+⅛
AdvTchLab		29	731	17¼	17	17	-⅛
Advanta	0.25	21	1063	u55¼	53¾	55¾	+1½
Affymax		14	98	13¼	12¾	12¾	-½
Agency Re		14	250	u9	8½	9	+½
AgnicoEa	0.10	46	10475	10⅜	9⅛	9⅝	-1
Akzo ADR	2.60	15	656	44⅛	43½	43⅞	-¾
Aldus Co		63	545	17	16¼	16⅝	-⅛
Alex Bald	0.88	14	641	25½	24¾	24¾	

AMEX COMPOSITE PRICES

4 pm close August 11

Price data supplied by Telekurs

AMERICA

Sector news dominates as Dow edges up

Wall Street

A QUIET morning on Wall Street saw US equities edge modestly higher with strong gains in semiconductor stocks offsetting some losses in healthcare issues and mining stocks, *writes Karen Zagor in New York.*

At 12:30 pm, the Dow Jones Industrial Average was up 4.19 at 3,576.92. The more broadly based Standard & Poor's 500 was 0.76 higher at 450.21, while the Amex composite improved 0.42 at 439.61, and the Nasdaq composite added 0.89 at 717.97. Trading volume on the NYSE was more than 144m shares by 12:30 pm, and rises outnumbered declines by 920 to 843.

In the absence of any significant economic reports yesterday, market movement was dominated by sector news.

The semiconductor sector was bolstered by Tuesday's report of unexpectedly strong orders for chips. On the big board, shares in Motorola firmed $1¾ to $96⅝. Texas Instruments gained $1½ to a 52-week high of $78 and Advanced Micro Devices rose $1⅜ to $29¾. Intel added $1⅞ to $58⅞ in Nasdaq trading.

Shares in mining companies moved lower in tandem with falling gold prices yesterday. In Comex trading, the December gold price was quoted $5.20 an ounce lower in mid-day trading. American Barrick lost $⅝ to $25¼, Newmont Mining fell $⅜ to $51⅛ and Amax eased $⅛ to $24⅝.

Among other featured issues, Eaton Corp added $⅞ to $45½, partly recouping its Tuesday losses of $1¼ following news that the company has entered a definitive agreement to buy Westinghouse Electric's distribution and control business for $1.1bn, plus the assumption of liabilities. Shares in Westinghouse slid $¼ to $15⅝.

In the tobacco sector, RJR Nabisco Holdings eased $⅛ to $4⅝ after the Wall Street Journal reported that sources at the FTC plan to recommend a ban of the company's popular Joe Camel advertising campaign.

Shares in health maintenance companies tumbled yesterday morning after Donaldson, Lufkin & Jenrette cut its ratings on the group. Oxford Health Plans plummeted $9¾ to $61¼, Ramsay-HMO dropped $3⅝ to $26⅝, Healthsource fell $2¼ at $39¼ and United Healthcare tumbled $5⅛ to $54¼.

Chemical Waste Management lost $⅝ to $9⅝ after the company said it was suspending its quarterly dividend payments because of uncertain market conditions.

Equitable Companies climbed $2⅝ to a 52-week high of $23⅞ after the company turned in second quarter earnings of $47.5m against an operating loss of $18.8m a year earlier. Salomon Brothers lifted its rating on the stock to "buy" from "hold", reflecting the improved performance and predictions of improved sales momentum in the second half.

Canada

TORONTO was unable to sustain an early advance and, by noon, the TSE-300 index was 5.82 lower at 4,022.62 as the Canadian dollar slipped to a six year low on the foreign exchanges. Volume rose from 29.9m to 32.3m shares.

Canadian Pacific slipped C$⅛ to C$21½ following the sale of its 60.7 per cent stake in Canadian Forest Products for C$697.8m. Canadian Forest shed C$1 to C$19½.

SOUTH AFRICA

GOLD shares fell with the bullion price, although De Beers rose R3 to R89 on rumours that it had plans to enhance the attractions of its equity capital. Golds shed 65 to 1,810, industrials fell 3 to 4,568 and the overall index was steady at 4,042.

EUROPE

Schering stars as Germany joins afternoon rise

BOURSES climbed consistently over the day, a trend reflected dramatically in Germany where the Ibis-indicated, post-bourse DAX index rose to 1,894.63, up 1.6 per cent from its earlier close on short covering and foreign buy orders, *writes Our Markets Staff.*

FRANKFURT ended the official session with the DAX just 0.64 higher at 1,865.80 as turnover fell from DM8.9bn to DM8.4bn. The big winner at this level was Schering, the pharmaceutical group, which closed DM54 higher at DM926 and went on to DM935, up 7.2 per cent on the day, after hours.

Schering said in New York last night that its Betaseron multiple sclerosis drug will yield a yearly average of $8,500 to $10,000 per patient. Mr Mark Tracey, of Goldman Sachs in London, raised his earnings estimates on this basis and is now forecasting 30 per cent annual earnings growth from DM40 a share in 1993.

Meanwhile, the construction group, Hochtief, rose DM23 to DM1,148 as it confirmed that the British government had invited it to bid for a contract to build a high-speed rail link between the Channel Tunnel and London.

Mr Michael Geiger, of NatWest Securities, thought it unlikely that Hochtief would actually get the contract – but that the invitation pointed up its attractions on a 1994 p/e of 14.7, adjusted for work in progress, off-balance sheet work, overstated provisions and Hochtief's virtual 20 per cent stake in its competitor, Holzmann.

Meanwhile PWA, the paper group, and Kugelfischer, the ball bearing manufacturer, rose DM5.80 to DM182.80 and DM6 to DM140 for two-day gains of DM13.30, and DM17 respectively. Mr Geiger said that while DAX stocks are nearing their all-time highs, a number of companies in the broader market still have a long way to go; all-time highs for PWA and Kugelfischer are DM349, and DM507.

PARIS reported strong foreign buying and domestic institutional selling as the CAC-40 index rose by 27.61 or 1.3 per cent to a new high of 2,167.39.

FT-SE Actuaries Share Indices								
August 11							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1263.80	1265.76	1266.68	1267.57	1267.06	1269.13	1272.92	1274.70
FT-SE Eurotrack 200	1348.40	1350.82	1350.41	1349.92	1351.59	1352.13	1355.05	1354.98
	Aug 10	Aug 9	Aug 6	Aug 5	Aug 4			
FT-SE Eurotrack 100	1261.80	1269.95	1272.34	1268.56	1268.09			
FT-SE Eurotrack 200	1348.51	1352.97	1348.44	1340.80	1339.61			

Base value 1000 (26/10/90) Highday: 100 - 1274.70; 200 - 1356.53 Lowday: 100 - 1263.80 200 - 1348.40.

Interest rate hopes were behind the buying, as the Bank of France cut its 24-hour lending rate for the second time this week. Turnover was unusually heavy at FFr5.4bn, up from FFr3.45bn.

Suez traded in an exceptionally heavy 1.28m shares as the share price climbed FFr8.40 to FFr345.40 ahead of an expected change in its CAC-40 weighting today. Michelin rose another FFr5.70 to FFr199.20 as Lehman Brothers, which gave the stock an outperform rating on Tuesday, said that European tyre stocks were cheap relative ot other automotive stocks, and that the market could focus on the French market-leader as the new big cost-cutting story.

MADRID gave foreign buying, and lower rates in the interbank and secondary debt markets the credit for its new high as the general index closed 2.55 higher at 274.18.

Turnover climbed from Pta12.58bn to Pta20.75bn. Banesto stood out with a rise of Pta345, or nearly 15 per cent to Pta2,675 on the success of its capital raising operations.

AMSTERDAM's CBS Tendency index rose 2.50 to 127.10 as cyclical stocks received a boost from better than expected half year figures from Hoogovens. Strong foreign demand developed from London and New York, while local traders continued to cover substantial short positions.

Hoogovens rose Fl 4.80 to a 12-month high of Fl 51.30. Among other cyclicals, DSM added Fl 3.10 to Fl 98.30 and Akzo was up Fl 4.40 at Fl 170.50.

KLM rose Fl 2.20 or 6.4 per cent to a 12 month high of Fl 36.60 on plans to scrap its Royal Class service and increase the number of tourist class seats.

MILAN began nervously, still assessing Ferruzzi and Montedison's troubles, but the market picked up early losses as the outlook for lower interest rates lifted the mood. The Comit index ended 0.01 higher at 588.78. Fiat continued higher in rumour-driven trade, adding L84 to L7,095 ahead of today's expiry of options and Olivetti put on L79 to L2,059, also amid speculation about asset sales.

Banks remained under pressure over concern at their exposure to debts of the Ferruzzi group. Mediobanca fell L50 to L16,200 and Credito Italiano slid L15 to L2,680. Ferruzzi and Montedison remained suspended, but Fondiaria, the insurance subsidiary, shed L160 to L30,890.

ZURICH picked up after a weak start and the SMI index finished 26.2 higher at 2,410.7. UBS bearers shrugged off the profit-taking of the previous two days and rose SFr18 to SFr1,199 in brisk trade ahead of today's half yearly results, and Ciba Geigy bearers recovered SFr13 to SFr749 after their recent weakness.

Cyclical shares also saw good gains. Fischer jumped SFr40 to SFr966 after Tuesday's SFr35 drop. Alusuisse bearers added SFr16 to SFr570 and Holderbank ended up SFr21 at SFr789.

STOCKHOLM turned higher amid speculation that the Riksbank will cut its official marginal rate today. The Affärsvärlden index rose 13.2 to 1,260.3. A smaller than expected first half loss from SKF, the ball bearing manufacturer, helped the mood; the B shares rose SKr3 to SKr115.

OSLO soared 2.4 per cent to a 1993 high with lower money market rates contributing to the rise. The all-share index rose 13.17 to 563.63 in heavy turnover of NKr743m.

ASIA PACIFIC

Nikkei posts third consecutive gain on political hopes

Tokyo

HOPES that the new government will increase spending in telecommunication infrastructure, among other initiatives, encouraged active buying by foreign investors and investment trusts, *writes Emiko Terazono in Tokyo.*

The Nikkei average posted its third consecutive rise with a gain of 238.32, or 1.2 per cent to 20,732.57. It saw a day's low of 20,489.05 during the first hour of trading, and a high of 20,756.08 just before the close.

While many Japanese investors were absent for the Obon holiday period, volume rose to 360m shares from 274m, rising above the 300m level for the first time since August 4.

Gainers led losers by 814 to 184 with 165 unchanged, and the Topix index of all first section stocks rose 19.01 to a new high for the year of 1,680.23. In London, the ISE/Nikkei 50 index rose 2.65 to 1,283.20.

Interest rate-sensitive stocks picked up as bond yields fell on hopes of lower interest rates. The yield on the No 145 10 year benchmark fell 0.04 percentage points to 4.08 per cent. However, the sharp rise in the yen had little effect on export-related stocks. The dollar closed down at a record Y103.77, down Y0.70.

Foreigners and dealers bought Nippon Telegraph and Telephone, lifting sentiment overall. NTT gained Y25,000 to Y971,000. Cable companies were also seen as beneficiaries of the government's plans to revamp the country's telecom infrastructure. Mitsubishi Cable, the most active issue of the day, rose Y40 to Y895.

Nippon Express, the parcel delivery company, rose Y20 to Y1,120; investors expect a rise in profitability, because of an easing of regulations in the transport market.

Mounting hopes of a housing tax cut continued to boost housing related stocks. Sekisui House rose Y40 to Y1,350 and Daiwa House gained Y50 to Y1,660.

Financials were higher on hopes of a discount rate cut by the Bank of Japan. Industrial Bank of Japan rose Y60 to Y3,450. Brokers were also higher, the sector rising 3.9 per cent. Nomura Securities rose Y80 to Y2,190 and Nikko Securities advanced Y80 to Y1,300.

High-technology issues failed to react to the higher yen. NEC rose Y20 to Y1,030 and Matsushita Electric Industrial gained Y10 to Y1,400. Sony, however, was one of the few losers of the day, falling Y60 to Y4,430.

In Osaka the OSE average advanced 169.34 to 22,625.56 in volume of 52.1m shares. High-technology related stocks were higher, with Rohm, in semiconductors, up Y90 to Y3,050.

Roundup

US influences brought more angst to the Antipodes. Bombay was closed for a Hindu festival.

NEW ZEALAND brokers offered US worries over legal action by the communication and energy workers union over Telecom's restructuring plans as one reason why the shares fell seven cents to NZ$3.98. Another was a rumoured profit-taking recommendation by a large US brokerage house.

Telecom led the market down, the NZSE-40 index falling 20.56 to 1,883.41 in turnover of NZ$45m.

AUSTRALIA featured more volatility in CSR as the All Ordinaries index closed a mere 0.6 higher at 1,861.0. CSR dropped another 16 cents in early trade, following Monday's US court award of punitive damages in an asbestos case. But it rebounded to close 8 cents higher at A$4.15, in some 4.4m shares, after CSR said that it was not concerned by the finding.

HONG KONG closed moderately higher as late demand reversed early losses, but most of the buying interest was focused on China-linked stocks as the Hang Seng index ended 27.82 higher at 7,357.83. Turnover was flat at HK$4.46bn.

SINGAPORE flattened out after Tuesday's climb, the Straits Times Industrial index closing 2.26 higher at 1,981.10 on late gains after profit-taking for most of the day. Volume fell from 188.9m to 140.7m shares. SEOUL rose again on buying of large-capitalisation shares, the composite stock index putting on 4.21 at 723.81.

BANGKOK celebrated Queen Sirikit's birthday a day in advance with the SET index up 8.08 to 963.17. Turnover was heavy at Bt10.1bn, and devoted mostly to property, media and finance issues.

JAKARTA saw strong buying interest as the JKSE index rose 7.52 to 377.35. MANILA reported heavy foreign buying in the newly-listed JG Summit, 40 centavos higher at 6.80 pesos as the composite index rose 13.48 to 1,747.67.

TAIWAN ended off its peak after profit-taking in the last hour, the weighted index ending 21.73 higher at 4,115.84, after 4,167.49. Turnover soared from T$17.2bn to T$26.62 billion, the highest since May.

Construction stocks jumped by 2.26 per cent on news that the finance ministry was considering extending maturities of housing loans.

Neighbours travel in opposite directions

By Michael Morgan

TURKEY's seemingly inexorable rise ran out of steam last month, while its neighbour, Greece, moved in the opposite direction.

Data provided by the IFC, part of the World Bank, shows that the Turkish equity market fell by 11.6 per cent in dollar terms during July.

"There was no one big item of bad news that pushed the market down," said Mr Stuart Harley of Schroders in London. "But there was a series of uncertainties and the market had little to drive it."

Political uncertainties in the run up to the conferences of the government coalition partners in October and November began to take a toll, as did the departure of Mr Rusdu Saracoglu, the central bank governor.

Indeed, the market seemed unmoved even by some very strong half-yearly results, including a 1,636 per cent rise in first half profits from Tofas, the car manufacturer.

Greece, conversely, managed a 9.9 per cent rise in dollar terms, in spite of delays in the privatisation of OTE, the state telecommunications company.

Ms Maryam Mansoury of Lehman Brothers cites falling inflation, lower interest rates and good earnings growth as the spur, together with the stimulus of a seven-year, $20bn restructuring loan from the EC. She believes that the outcome of a parliamentary vote tomorrow on the OTE sell-off will provide additional momentum, since the outcome will remove a major uncertainty.

EMERGING MARKETS: IFC MONTHLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Jul 31 1993	% Change over month	% Change on Dec '92	Local currency terms Jul 31 1993	% Change over month	% Change on Dec '92
Latin America							
Argentina	(11)	607.58	-0.7	+4.8	372,825.66	-0.7	+5.1
Brazil	(44)	187.06	-1.9	+49.6	18,136,130.19	+28.4	+769.7
Chile	(20)	410.93	-3.6	-1.8	665.49	-0.2	+3.8
Colombia[1]	(8)	407.99	+6.1	-4.0	578.38	+7.9	-5.4
Mexico	(59)	672.13	+6.0	-0.6	903.93	+6.0	-0.5
Venezuela[2]	(8)	564.65	-3.9	+8.7	1,177.59	-2.7	+26.1
East Asia							
South Korea[3]	(130)	98.29	-4.1	+0.1	104.20	-3.4	+2.4
Philippines	(11)	163.21	+9.1	+22.2	216.04	+11.7	+33.6
Taiwan, China[4]	(76)	82.04	-4.0	+11.2	82.14	-2.0	+17.8
South Asia							
India[5]	(61)	79.72	+6.9	-14.9	88.16	+8.9	-7.7
Indonesia[6]	(31)	79.57	-1.7	+35.6	90.32	-1.7	+37.3
Malaysia	(61)	213.27	+7.2	+30.4	201.88	+7.0	+27.9
Pakistan[7]	(8)	228.92	+3.6	+14.4	308.76	+13.8	+33.2
Thailand	(52)	257.42	+6.7	+11.7	258.60	+7.0	+10.9
Euro/Mid East							
Greece	(17)	227.24	+9.9	+16.4	365.84	+12.2	+28.5
Jordan	(5)	163.62	+0.7	+39.0	232.79	+0.7	+40.4
Portugal	(16)	89.26	-0.42	+15.5	110.26	+10.2	+41.2
Turkey[8]	(31)	129.53	-11.6	+89.2	688.80	-7.0	+150.9

Indices are calculated at month end. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Jan 5 1990; (3)Jan 3 1992; (4)Jan 4 1991; (5)Nov 6 1992; (6)Sep 28 1990; (7)Mar 1 1991; (8)Aug 4 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 10 1993								MONDAY AUGUST 9 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	143.65	+1.4	143.95	94.98	127.56	139.35	+0.7	3.60	141.70	140.67	93.92	125.02	138.36	144.63	117.39	136.83
Austria (17)	166.70	-0.3	167.05	110.22	148.03	147.71	+0.3	1.31	167.13	165.91	110.77	147.45	147.23	167.13	131.16	139.27
Belgium (42)	146.61	-1.3	146.92	96.93	130.19	131.43	-0.5	4.36	148.59	147.50	98.47	131.09	132.10	156.76	131.19	144.99
Canada (108)	127.56	+0.7	127.83	84.34	113.26	119.29	+0.7	2.83	126.66	125.73	83.94	111.74	118.45	130.38	111.41	127.80
Denmark (33)	211.26	-1.9	211.70	139.66	187.59	199.76	-0.4	1.13	215.24	213.67	142.66	189.90	200.53	225.64	185.11	231.30
Finland (23)	109.85	-0.1	110.08	72.64	97.55	134.64	+1.2	0.90	109.97	109.18	72.89	97.02	132.99	109.97	65.50	69.42
France (97)	159.14	-1.0	159.47	105.22	141.30	150.15	+0.0	3.07	160.76	159.58	106.54	141.82	150.10	167.36	142.72	155.59
Germany (60)	118.81	-1.0	119.05	78.56	105.50	105.50	-0.3	2.01	119.97	119.10	79.52	105.84	105.84	119.97	101.59	115.58
Hong Kong (55)	291.39	-1.1	292.00	192.66	258.76	289.95	-1.1	3.27	294.51	292.36	195.19	259.85	293.13	301.61	218.82	244.78
Ireland (15)	167.86	-0.8	168.21	110.99	149.06	173.15	+1.7	3.18	169.20	167.97	112.14	149.28	170.23	170.40	129.28	154.51
Italy (70)	72.33	-0.8	72.48	47.82	64.23	87.32	-0.6	1.87	72.91	72.38	48.32	64.32	87.91	72.91	53.78	62.75
Japan (470)	157.89	+0.3	158.22	104.39	140.22	104.39	+0.0	0.79	157.45	156.30	104.35	138.93	104.35	158.82	100.75	87.76
Malaysia (69)	362.12	-0.2	362.88	239.42	321.55	355.99	-0.1	1.92	362.79	360.14	240.44	320.07	356.36	364.55	251.66	239.87
Mexico (19)	1643.59	+0.0	1647.02	1086.73	1459.48	5585.11	-0.1	0.88	1642.96	1630.96	1088.91	1449.53	5588.39	1725.61	1410.30	1388.58
Netherland (24)	171.99	-0.3	172.35	113.72	152.73	150.96	+0.4	3.58	172.48	171.22	114.31	152.18	150.36	172.75	150.39	160.32
New Zealand (13)	57.86	-0.1	58.08	38.32	51.47	56.04	-0.1	3.98	57.99	57.57	38.44	51.17	56.11	57.99	40.56	44.27
Norway (22)	163.92	-0.5	164.26	108.38	145.56	165.47	+0.4	1.59	164.75	163.55	109.19	145.36	164.86	166.21	137.71	153.28
Singapore (38)	268.82	+2.4	269.38	177.75	238.71	199.63	+2.5	1.72	262.43	260.51	173.93	231.53	194.77	268.82	207.04	194.80
South Africa (60)	199.82	+1.1	200.24	132.12	177.43	203.96	+0.1	2.51	197.68	196.23	131.01	174.40	203.72	215.29	144.72	204.83
Spain (43)	119.38	-1.0	119.63	78.94	106.01	128.88	+0.4	4.53	120.63	119.75	79.96	106.43	128.36	132.82	115.23	135.70
Sweden (36)	183.36	-2.1	183.74	121.24	162.82	217.01	-1.0	1.55	187.21	185.84	124.08	165.17	219.15	187.21	149.70	183.55
Switzerland (50)	127.57	-2.4	127.83	84.35	113.29	120.05	-1.4	1.81	130.68	129.73	86.62	115.31	121.77	130.81	108.91	111.33
United Kingdom (218)	179.46	-1.3	179.84	118.65	159.34	179.84	-0.4	3.88	181.86	180.54	120.52	160.44	180.54	181.99	162.00	175.83
USA (520)	183.87	-0.3	184.25	121.58	163.28	183.87	-0.3	2.78	184.35	183.00	122.19	162.65	184.35	186.27	175.36	170.75
Europe (750)	148.75	-1.2	149.06	98.35	132.09	144.44	-0.3	3.09	150.60	149.50	99.82	132.88	144.93	150.60	133.92	143.46
Nordic (114)	172.03	-1.7	172.39	113.75	152.78	180.07	-0.5	1.38	174.95	173.68	115.96	154.36	180.95	174.95	142.13	169.48
Pacific Basin (714)	161.42	+0.3	161.76	106.73	143.34	111.24	+0.0	1.06	160.99	159.82	106.71	142.04	111.21	162.17	105.89	94.77
Euro-Pacific (1464)	156.10	-0.3	156.43	103.21	138.61	124.93	-0.1	1.85	156.61	155.47	103.79	138.17	125.07	156.64	117.26	114.46
North America (628)	180.36	-0.2	180.74	119.27	160.18	179.47	-0.2	2.78	180.76	179.44	119.81	159.50	179.86	182.38	171.51	168.08
Europe Ex. UK (532)	129.48	-1.2	129.75	85.63	115.00	123.80	-0.3	2.58	131.01	130.06	86.85	115.61	124.18	131.01	112.51	123.80
Pacific Ex. Japan (244)	196.75	+0.2	197.16	130.11	174.73	180.97	+0.0	3.06	196.40	194.96	130.19	173.29	181.01	196.79	152.70	163.99
World Ex. US (1651)	156.50	-0.3	156.82	103.48	138.97	126.99	-0.1	1.88	156.93	155.78	104.01	138.46	127.10	157.11	118.51	116.70
World Ex. UK (1953)	163.18	-0.2	163.52	107.90	144.92	141.15	-0.1	2.04	163.44	162.25	108.33	144.21	141.33	163.44	134.22	130.06
World Ex. So. Af. (2111)	164.50	-0.3	164.85	108.78	146.09	144.16	-0.2	2.21	164.97	163.76	109.35	145.56	144.39	164.97	137.29	133.58
World Ex. Japan (1701)	170.29	-0.5	170.64	112.60	151.23	167.10	-0.2	2.88	171.18	169.93	113.47	151.05	167.51	171.18	157.47	159.57
The World Index (2171)	164.63	-0.3	164.96	108.86	146.20	144.67	-0.2	2.22	165.08	163.87	109.41	145.65	144.89	165.08	137.32	134.02

Latest prices were unavailable for this edition.